FBC Holdings Limited

strength • diversity • service

2019
ANNUAL REPORT

FBC Holdings Limited
strength • diversity • service

Contents

About This Report

This integrated annual report was prepared for FBC Holdings and its subsidiaries.

This annual report can be viewed at

www.fbc.co.zw

Group Structure

FBC Holdings Limited
strength • diversity • service

Consumer and Investment Banking Services

Company	Shareholding	Services
FBC Bank Limited (Registered Commercial Bank)	100%	Commercial Banking + Advisory Services + Factoring Services + Custodial Services
FBC Building Society (Registered Building Society)	100%	Mortgage Finance + Property Development
MicroPlan Financial Services (Pvt) Limited (A registered microfinance institution)	100%	Micro Finance Services
FBC Securities (Private) Limited	100%	Equities Trading + Sponsoring Broker

Insurance Services

Company	Shareholding	Services
FBC Reinsurance Limited	100%	Short Term Reinsurance + Life & Health Re-Assurance
FBC Insurance Company Limited	95%	Non-Life Insurance + Medical Insurance + Life Insurance

FBCH Footprint

Our Pillars of Strength

Core Values	Governance	Our Team	Social Impact & Financial Inclusion
Integrity	7 Boards of Directors in the Group	±518 Permanent Employees	+600 Construction Jobs
Teamwork	Independent Chairpersons	+79% Aged <45 years	+600 Agencies
Commitment	20 Non-Executive Directors	43% Female Employees	9 Rural out of 20 Microfinance Branches
Communication	27 Executive Directors	± 103 on Attachment & Internships	HCP Subcribers +75 000
Life-long learning and Entrepreneurship		197 Contract Workers	497 697 Mobile Banking Subscribers

Our Promise to Our Stakeholders

Clear Purpose	To be Trendsetters in Financial & Risk Management		
Strategic Priorities	New Business Development	Risk Management & Compliance	e-Commerce & Operational Efficiencies
Strong Foundation	Adequate Capital	Appropriate Skills Mix	Robust IT Systems
Responsible Corporate Citizen	Environmental Management	Social Impact Management	Strong Governance

Strong Earnings Capacity
+
Stable & Sustainable ROE
+
Consistent Dividend Pay-out
+
Consistent Sustainability & Growth Strategy

General Information

Registered Office
6th Floor FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe
Telephone : +263-0242-700312/797770
: +263-0242-708071/2
Telex : 24512 FIRSTB ZW
Swift : FBCPZWHA
Fax : +263-0242-700761
E-mail : info@fbc.co.zw
Website : http://www.fbc.co.zw

Transfer Secretaries
First Transfer Secretaries (Private) Limited
1 Armagh Avenue, Eastlea
P.O. Box 11 Harare
Telephone : +263-0242-782869
Mobile : +263 772146157/8

Independent Auditor
Deloitte & Touche
West Block, Borrowdale Office Park
Borrowdale Road
Harare
P.O. Box 267, Harare
Telephone : +263-0867700261
Fax : +263-0242-852130

Attorneys
Dube Manikai & Hwacha Legal Practitioners
Eastgate Building
6th Floor, Goldbridge, Southwing
Corner Sam Nujoma Street and Robert Mugabe Road
P.O. Box CR 36, Cranborne, Harare
Telephone : +263-0242-780351/2

Costa & Madzonga Legal Practitioners
10 York Avenue, Newlands
P.O. Box CY1221, Causeway, Harare
Telephone : +263-08644133638/9

FBC Bank Limited

Belgravia Private Banking Branch
No. 2 Lanark Road, Belgravia
P.O. Box A852, Avondale, Harare
Telephone : +263-0242-251975
: +263-0242-251976
Fax : +263-0242-253556

Chinhoyi Branch
Stand Number 14 Robson Manyika
P.O. Box 1220, Chinhoyi
Telephone : +263-067-24086
Fax : +263-067-26162

FBC Bank Limited (Continued)

Bulawayo Avenue Branch
Asbestos House
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : +263-029-76079
: +263-029-76371
Fax : +263-029-67536

Masvingo Branch
FBC House
179 Robertson Street, Masvingo
Telephone : +263-039-264118-9
: +263-039-264415-6
: +263-039-262671
Fax : +263-039-262912

Gweru Branch
71 Sixth Street
P.O. Box 1833, Gweru
Telephone : +263-054-26491
: +263-054-26493
: +263-054-26497
Fax : +263-054-26498

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Telephone : +263-0242-700312
: +263-0242-797761-6
Fax : +263-0242-7008071/2

Kwekwe Branch
44a/b Robert Mugabe Way
P.O. Box 1963, Kwekwe
Telephone : +263-055-24116
: +263-055-24160
Fax : +263-055-24208

Mutare Branch
101 A Herbert Chitepo Avenue
P.O. Box 2797, Mutare
Telephone : +263-020-62586
: +263-020-62114
Fax : +263-020-60543

Nelson Mandela Avenue Branch
Nelson Mandela Avenue
P.O. Box BE 818, Belvedere, Harare
Telephone : +263-0242-750946
: +263-0242-753608
Fax : +263-0242-775395

General Information (continued)

FBC Bank Limited (Continued)

Southerton Branch
11 Highfield Junction Shop
P.O. Box St495, Southerton, Harare
Telephone : +263-0242-759712
: +263-0242-759392
Fax : +263-0242-759567

Zvishavane Branch
98 Robert Mugabe Way
P.O. Box 91, Zvishavane
Telephone : +263-039-2176
: +263-039-2177
Fax : +263-039-3327

Chitungwiza Branch
No 197 Tilcor Township, Seke
Chitungwiza
Telephone : +263-0242-30212
: +263-0242-31016

Samora Machel Avenue Branch
Old Reserve Bank Building
76 Samora Machel Avenue
P.O. Box GD 450, Greendale, Harare
Telephone : +263-0242-700372
: +263-0242-700044
Fax : +263-0242-793799

Victoria Falls Branch
Shop 7 & 8 Sawanga Complex
P.O. Box 225, Victoria Falls
Telephone : +263-083-45995/6
Fax : +263-083-5995/6

Msasa Branch
104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare
Telephone : +263-0242-446806
Fax : +263-0242-446815

Beitbridge Branch
1454 NSSA Complex
Telephone : +263-085-23196
: +263-085-23198

Bulawayo Private Branch
Asbestos Harare
Jason Moyo Avenue
P.O. Box 2910, Bulawayo
Telephone : +263-029-76079
: +263-029-76371
: +263-029-67536

FBC Bank Limited (Continued)

Graniteside and SME Branch
Number 1 Crawford Road
Graniteside, Harare
Telephone : +263-0242-710326
: +263-0242-710327
: +263-0242-710328

Borrowdale Branch
Unit 122-125, Sam Levy's Village
Borrowdale, Harare
Telephone : +263-0242-850911
: +263-0242-850912
: +263-0242-850913

FBC Reinsurance Limited

Head Office
4th Floor, FBC Centre
45 N Mandela Avenue
P.O. Box 4282, Harare
Telephone :+263-0242-772703/7
Fax :+263-0242-772701

Bulawayo Office
1st Floor Asbestos House
Jason Moyo Avenue
P.O. Box 2199, Bulawayo
Telephone :+263-029-888344
Fax :+263-029-888560

FBC Insurance Company Limited

Head Office
Eagle House
105 Jason Moyo Avenue, Harare
Telephone :263-0242-708212
Fax :263-0242-797135

Mutare Branch
Manica Chambers
2nd Avenue Road, Mutare
Telephone :263-020-65723
Fax :263-020-63079/65722

Bulawayo Branch
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone :263-029-71791/4
Fax :263-029-76224

General Information (continued)

FBC Building Society

Leopold Takawira Branch
FBC House
113 Leopold Takawira
P.O. Box 4041, Harare
Telephone : +263-0242-756811-6
Fax : +263-0242-772747

Gweru Branch
Impala Seeds Building
69B 6th Street
P.O. Box 1345, Gweru
Telephone : +263-054-226189
: +263-054-223586
Fax : +263-054-226189

Bulawayo Branch
FBC House
Corner R. Mugabe Way and 11th Avenue
Bulawayo
Telephone : +263-029-79504/68679
: +263-029-64547/69925/48
Fax : +263-029-74069

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 4041, Harare
Telephone : +263-0242-707057
Fax : +263-0242-783440

Mutare Branch
FBC House
101 A Herbert Chitepo Avenue
P.O. Box 1224, Mutare
Telephone : +263-020-65894
: +263-020-65897/8
Fax : +263-020-66723

Masvingo Branch
FBC House
179 Robertson Street, Masvingo
Telephone : +263-039-62671/821/912
Fax : +263-039-65876

FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone : 263-0242-797761-6 / 700373

Microplan Financial Services (Private) Limited

Head Office
4th Floor, FBC House
113 Leopold Takawira, Harare
Telephone : +263-0242-772745/772729
Fax : N/A

Bulawayo Branch
1st Floor, Asbestos House
Corner 11th and Jason Moyo Street, Bulawayo
Telephone : +263-029-61650

Chiredzi Branch
349 Chilonga Drive, Chiredzi
Telephone : +263 31 2752/2820
Mobile : +263 731 772 750 / +263 772 527 147

Mutare Branch
101 A Herbert Chitepo Avenue
Mutare
Telephone : +263-020-65895
: +263-020-62949

Microplan Financial Services (Private) Limited (Continued)

Mutoko Branch
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Mall Oliver Newton Road
Chinzanga Township, Mutoko
Mobile : +263-065-2722859

Masvingo Branch
1st Floor, FBC Centre
179 Robertson Street, Masvingo
Mobile : +263-736462940
Telephone : +263-039-262912

Gwanda Branch
Stand 623 Nkala Complex
Soudan Street, Gwanda
Telephone : +263-084-24296

Gweru Branch
Office Number 15, Moonlight Building,
5th Street, Gweru
Mobile : +263 732 772 745
Landline : +263-054-224524

Bindura Branch
846 Chenjerai Hunzvi Street, Bindura
Telephone : +263-066-6581

Chinhoyi Office
14 Robson Manyika, Chinhoyi
Landlines : +263-067-21034
Mobile : +263 73 177 2730 / ++263 775 802 514

Lupane Office
Stand Number 12, Lupane
Cell : +263 731 772 731

Chipinge Office
294A Ferreira Street, Chipinge
Cell : +263 731 772 732

Kadoma Office
Office No 5, Mtetwa Family Trust Complex
6/7 Cilling Street
Kadoma

Rusape Office
Stand 9 Robert Mugabe Avenue, Rusape
Telephone : +263 731 772 734

Mt Darwin Office
Stand 206, Mount Darwin Township, Mt Darwin
Telephone : +263 731 772 733
: +263 773 396 657

Hauna Office
Stand 107, Hauna Growth Point, Mutasa
Telephone : +263 731 772 735

Guruve Office
Stand 1409, Guruve Business Centre, Guruve
Telephone : +263 731 772 736

Hwange
Shop Number 101D, 22-23 Coronation Drive, Hwange
Direct : +263 731 772 747
CELL : +263 778 942 055

Zvishavane Office
Office 14 Makairos Building, 97 R. G Mugabe Way,
Zvishavane
Phone : +263 774 381 574

Beitbridge Branch
NSSA Complex, Beitbridge, Zimbabwe
Direct line : +263 286 22197 / +263 778 203 776
+263 713 492 811 / +263 731 772 748

Report Profile

REPORT PROFILE

FBC Holdings Limited is once again pleased to present its annual integrated financial statements including sustainability reporting on the Group's non-financial performance for the period ended 31 December 2019. The reporting cycle is annual with the last report having been published in April 2019.

The sustainability report is FBC Holdings Limited's third report prepared with reference to the Global Reporting Initiative Standards. The report captures the Group's material issues for the business and its stakeholders in the following impact categories: social, environmental and economic performance. The Group will continue to improve and strengthen its sustainability strategy and reporting framework in accordance with the Group's broader strategic objectives that seek to promote a sustainable business model and unlock long term value for its stakeholders and future generations.

The Group welcomes the opinions of all its stakeholders both within and outside the Group and believes in proactive stakeholder engagement in order to appreciate fundamental stakeholder needs and desires. This approach enhances its ability to proffer tailored market leading service delivery solutions to its diverse stakeholders. Engagements with our stakeholders are done through various platforms including client networking events, customer surveys, formal meetings and text chats via Facebook, WhatsApp and Twitter.

If you would like to provide the Group with further feedback regarding the contents of this report please feel free to contact the company secretary Tichaona Mabeza via email on: tichaona.mabeza@fbc.co.zw.

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Financial Highlights

For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Consolidated statement of profit or loss				
Profit before income tax	168 783 607	128 975 500	529 350 452	54 646 473
(Loss)/Profit for the year	(363 318 389)	38 031 298	295 867 687	44 435 443
Consolidated statement of financial position				
Total equity	1 009 301 764	1 198 513 441	950 469 471	178 711 967
Total assets	6 216 801 071	7 032 116 720	6 110 826 033	1 113 976 719
Share statistics				
Shares in issue - actual (m)	672	672	672	672
Shares in issue - weighted (m)	617	639	617	639
Basic (loss)/earnings per share - (ZWL cents)	(58.67)	6.04	47.88	6.95
Diluted (loss)/earnings per share - (ZWL cents)	(58.67)	6.04	47.88	6.95
Headline (loss)/earnings per share - (ZWL cents)	(59.11)	6.00	47.88	6.95
Dividend per share - ordinary (ZWL cents)	9.46	9.99	3.40	1.21
Closing share market price - (ZWL cents)	65.3	35.0	65.3	35.0
Ratios				
Return on shareholders equity	-36%	3%	31%	25%
Cost to income ratio	64%	62%	50%	62%

Chairman's Statement

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Group total income	Group profit before income tax	Group (loss) profit after income tax	Cost to income ratio
Inflation Adjusted	ZWL$1.6 billion	ZWL$168.8 million	(ZWL$363.3 million)	64%
Historical Cost	ZWL$1.1 billion	ZWL$529.4 million	ZWL$295.9 million	50%

	Basic (loss)/earnings per share	Net asset value per share	Asset base	Dividend declared
Inflation Adjusted	(58.67 ZWL cents)	163 ZWL cents	ZWL$6.2 billion	ZWL$35.6 million
Historical Cost	47.88 ZWL cents	154 ZWL cents	ZWL$6.1 billion	ZWL$35.6 million

I am honoured to be presenting to you the group financial results of FBC Holdings Limited for the year ended 31 December 2019, which are on inflation adjusted basis, following the categorization of Zimbabwe as a hyperinflationary economy.

Financial Performance Review - Inflation Adjusted

Despite the Group recording a profit before tax of ZWL$529.4 million and a profit after tax of ZWL$295.9 million in historical terms, this performance in inflation adjusted terms, which is the primary reporting basis, translates to a profit before tax of ZWL$168.8 million and a loss after tax of ZWL$363.3 million respectively. The inflation adjusted loss arose mainly from the erosion in purchasing power of the Group's net monetary assets, the holding of which is inherent in the Group's main business model. This was also compounded by the incapacity to reprice products and services to match hyperinflation due to regulatory constraints that stipulate a minimum notice period of 30 days before any banking products are repriced.

The Group recorded total income of ZWL$1.6 billion registering a growth of 37% compared to the previous year's inflation adjusted performance. The commendable total income was however, counteracted by a significant monetary loss of ZWL$408.9 million emanating mainly from the holding of net monetary assets. Administrative expenses of ZWL$867.3 million increased by 49% compared to the previous year outpacing that of total income and further weighing down overall performance.

Net interest income declined by 41%, mainly as a result of sub inflation interest rates applicable to lending products. The banking subsidiaries could not proactively adjust interest rates in line with inflation due to regulatory constraints and externally induced low interest regime.

The Group's non funded income constituted 80% of the total income and registered an increase of 104% compared to the previous year, mainly as a result of increased volume of transactions as our customers transacted more in the prevailing hyperinflationary environment.

The cost to income ratio, excluding the monetary loss, slightly increased to 64% from 62% due to the immediate repricing of overheads to match the devaluation of the local currency and the hyperinflationary environment. Staff costs were a significant cost driver as the Group responded to the plight of staff, enabling them to cushion income erosion in a hyperinflationary environment.

The Group recorded a net monetary loss of ZWL$408.9 million compared to the previous year amount of ZWL$316.5 million. The amount represents the effect of inflation on net monetary assets of the Group. This is explained in detail under the note on basis of preparation in the financial statements.

The Group's income tax expense of ZWL$532.1 million was higher than the Group profit before tax of ZWL$168.8 million mainly as a result of the deferred tax expense, arising mainly from unrealized exchange gains and the restatement of paid taxes to reflect the end of year inflation indices.

The Group statement of financial position as at 31 December 2019 of ZWL$6.2 billion, decreased by 12% compared to ZWL$7 billion in the previous year, mainly as a result of the inflation adjusted loss in purchasing power of the Group's net assets and the loss incurred for the period.

The Group total equity decreased by 16% to ZWL$1 billion from ZWL$1.2 billion as at 31 December 2019, mainly as a result of the inflation adjusted loss incurred for the year.

By virtue of it being in the financial services sector, the Group is structured to be long on net monetary financial assets in order to create value for its customers. This model however, is not

Chairman's Statement (continued)

sustainable in a hyperinflationary environment, where banks are required to give notice of 30 days to reprice their products in order to comply with regulatory requirements, when input costs are changing on a daily basis in line with hyperinflation and the devaluation of the local currency. The Group is restructuring its business model to ensure the impact of the hyperinflationary environment is minimised through prioritising hedging for most of its generated revenues and net monetary assets.

Operating Environment

The challenges bedeviling the business environment intensified throughout the year 2019. This was against the backdrop of significant economic and other concomitant reforms introduced by the government as well as other regulatory authorities, in an effort to stabilize the economy. The government instituted watershed fiscal and monetary reforms that culminated in the abandonment of the multi-currency system that was introduced in 2009 and the reintroduction of the local currency, the Zimbabwe Dollar, as the official financial reporting and transacting currency for the country. Market confidence in the economic reforms is, however, at the lowest ebb, dented by low production, shortages of foreign currency and fuel, electricity load shedding, coupled with the collapse of the reintroduced local currency resulting in a hyperinflationary environment. Adverse weather patterns further compounded the macroeconomic challenges as agricultural output dropped owing to drought. Capacity utilization reportedly reduced to below 30% as firms grappled with power and fuel shortages. On the other hand, production of major minerals like gold, diamonds and coal, reportedly fell by more than 27 percent. Consequently aggregate demand weakened significantly, further weakening macroeconomic fundamentals.

On a positive note however, fiscal measures introduced to address the persistent fiscal deficit, resulted in improved fiscal performance for the year 2019. The reforms enabled the government to subsidize key services such as transport and public education. Government was also able to subsidize mealie meal to enhance food security. Export performance was lower compared to 2018, whilst imports dropped significantly, resulting in a current account surplus for the year under review.

Foreign Exchange

An interbank foreign exchange market was introduced in February 2019, wherein the local currency was initially pegged at ZWL$ 2.50 to 1 USD. Since then the local currency has however, been trading at a weakened position against major currencies, closing on 31 December 2019, at a rate of ZWL$16.7734 to 1 USD, resulting in significant negative pass through effects on real incomes, operating costs and overall economic prospects. The continued devaluation of the local currency resulted in most businesses and individuals preferring the index pricing of goods and services to USD, to avoid a hyperinflationary induced collapse of their businesses. Procurement costs increased sharply and supply chains in some instances were disrupted, further weakening capacity utilization across all sectors of the economy.

Hyperinflation

The country morphed into the hyperinflationary phase as prices of goods and services soared in 2019. Monthly inflation figures averaged more than 10% while year-on-year inflation closed the year 2019 at 521% according to the International Monetary Fund. Consequently, this phenomenon resulted in the country being declared as hyperinflationary by the Public Accountants and Auditors Board. Companies therefore are now applying IAS29- Financial reporting in hyper-inflationary economies.

Banking Sector

The sector remained sound as reflected in the financial soundness indicators published by the RBZ in the February 2020 Monetary Policy Statement. Liquidity and Asset quality indicators all pointed to a sound banking sector. The industry capitalization levels were well within the regulatory thresholds. The regulatory authorities have set new minimum capital requirements: US$30 million for tier 1 commercial banks; and US$20 million for tier 2 banks and building societies by the end of 31 December 2020. The Group subsidiaries are well poised to meet the capital requirements by the due date. The rationale behind the resetting of the capital thresholds is to avoid systemic risks and increase the business underwriting capacity of banks in support of economic growth.

The banking sector is witnessing a wave of digital transformation as banks adopt more cost effective channels for offering and distributing financial services. This has increased customer convenience and enhanced confidence in the sector overall. The Group in the same vein is intensely involved in transforming the business to a digitally oriented business through new technology adoption and structural and process changes.

The Insurance Sector

This sector has not been spared from the dynamics prevailing in the economy and this has been compounded by insurance not being regarded as a priority by companies and individuals. This has led to a weakened demand for both short-term and long-term insurance services. Volatility in the foreign exchange market continued to weigh down the capacity of industry players to meet contractual obligations as well as meet reasonable policyholder and fund member expectations thereby undermining confidence in the sector.

During the course of 2019, the Insurance and Pension Commission (IPEC) launched the Zimbabwe Integrated Capital and Risk Project ("ZICARP"). ZICARP aims to create market discipline and improve confidence levels in the country's insurance sector through three pillars namely; Risk based Capital Framework, Own-Risk and Solvency Assessment framework (ORSA) and Market Disclosure Framework. IPEC also introduced new minimum capital requirements for the

Chairman's Statement (continued)

various licenses ranging from ZWL$5 million for Micro Insurance license to ZWL$150 million for composite short term and long term reinsurance. Our short term insurance and re-insurance businesses are already compliant with the new requirements.

Property Market

Investments in this sector were lower as long-term funding became elusive owing to inflation. Residual activity was on residential properties whilst commercial real estate suffered lack of investment due to weak demand. Rental yields remained low whilst occupancy levels were also low as businesses continued to rationalize space. This sector however remains one of the hedging options available in light of the inflation levels. The Group is heavily involved in this sector through FBC Building Society. The Group targets to contribute to the national housing stock by developing high and medium density units in 2020.

Stock Market Performance

The stock market experienced mixed trading during the year, though a few counters proved to be preferred inflation hedging options for investors. The equities market benefited from the weak returns on the money market. Currency bottlenecks also fed the stock markets as investors looked for hedged portfolios. On the regulatory front, the Zimbabwe Stock Exchange ("ZSE") published revised Listing Requirements under Statutory Instrument 134 of 2019. Disclosure of financial performance was increased to quarterly from semi-annually in line with best practice.

Share Price Performance

The FBCH share price closed December 31 trades at ZWL65.25 cents, representing a growth of 118% against 57% achieved by the all share index. The historical cost net asset value (NAV) per share for the period was 154 cents. A total of 55.22 million shares were traded for the respective period. It remains the Group's primary objective to make the FBCH share the counter of choice for shareholders looking for growth in value and liquidity, through a sustainable dividend pay-out ratio.

FBC in the Community

FBC Holdings continues to support sustainable and value driven community based Corporate Social Responsibility initiatives. The Group believes in ploughing back into the various societies that it serves. As such, FBC Holdings continues to support various activities that include but are not limited to education, sport, health, environment, culture and the welfare of senior citizens.

During the course of 2019, FBC Holdings spent over ZWL$2 million towards various causes to help alleviate social issues being experienced in various communities.

FBC Holdings also acquired building materials for Charleswood Primary School located in Chimanimani which was affected by Cyclone Idai in 2019. Construction of two class room blocks with two classrooms each is currently underway. The classrooms will benefit 180 students every year.

FBC Trendsetting

FBC Holdings continues to make waves in the market with new and innovative products that seek to provide various solutions for our clients. The Group and its subsidiaries have also been recognized in different spheres for good Corporate Governance and excellent business practices. The awards are a clear testament of FBC Holdings' brand position in the Zimbabwean Financial Services Market.

During the course of 2019 FBC Holdings subsidiaries received recognition from various bodies as outlined below:

- FBC Holdings won the Institute of People Management of Zimbabwe (IPMZ) 1st Runner Up People Development and Impact Award 2018.
- FBC Holdings was recognised as one of the nation's Top Five Listed Companies in The Zimbabwe Independent 2018 Quoted Companies Survey (QCS).
- FBC Bank scooped the Most Sustainable Corporate Social Responsibility Programme of the Year Award in the 2019 Banks and Banking Survey.
- FBC Bank scooped the Institute of Chartered Secretaries and Administration of Zimbabwe (ICSAZ) Overall Winner Best Governed Banking Institution.
- FBC Bank scooped the ICSAZ Overall Winner Risk and Internal Control Reporting Award.
- FBC Bank was recognised as one of the Marketers Association of Zimbabwe (MAZ) Top 20 Business to Business Superbrands.
- FBC Insurance's Usage Based Insurance Service (MyDrive) won the First Runner Up Innovative Product Award in the Business Weekly Inaugural Consumer Insurance Awards.
- MyDrive also won the Marketers Association of Zimbabwe (MAZ) Second Runner Up Best New Product or Innovation of the Year Award in the Exceptional Marketing Awards 2019.
- Microplan won the following awards in 2019: the Most Financially stable Micro Finance Institution; the Fastest Outreach growing Micro Finance Institution; the Most Exceptional customer-centric Micro Finance Institution and the first runner up in the Most Digitised & innovative Micro Finance Institution.

Compliance

The Group has put in place measures to ensure the entire Group complies with all applicable laws and regulations adopting a zero tolerance towards non- compliance. In line with guidance received from our Correspondent Banks, the Group has invested in systems to enhance transaction surveillance and sanctions monitoring, in an effort to combat money laundering activities.

Environment, Social and Governance (ESG) Priorities (Sustainability)

The Group made a deliberate commitment to sustainable business values through sustainability reporting. The

Chairman's Statement (continued)

realization that our businesses make such a significant contribution to the economy and affect the well-being of many stakeholders required a more deliberate effort of managing social, economic and environmental touch points to build a strong relevant business model.

We are also aware of the mandatory sustainability reporting as promulgated in the new listing requirements under Statutory Instrument 134 of 2019. The Group is committed to engender ecological balance as it conducts its mandate and is therefore in full support of the new regulatory requirements. In our sustainability report, we provide insights on the triple bottom line comprising people, planet and profit which measures the Group's degree of social responsibility, economic value created, as well as the environmental impact. Currently, we are working with the assistance of external consultants to align our reporting with international best practices and in particular Global Reporting Initiative (GRI) guidelines. This will further cement our culture of zero tolerance to non-compliance.

At FBC Holdings we recognise that, while our shareholders remain at the forefront, our purpose ultimately is not only about giving a return to shareholders. FBCH is a devoted, socially responsible corporate citizen which takes cognisance of the challenges that climate change presents to the global economy. The Group has adopted a deliberate strategy to support activities that protect the environment. The Group seeks to align the interests of shareholders and stakeholders over time, and provides the strategic business units with a basis from which to determine sustainability standards.

Directorate

The Board was further enhanced by the appointment of Mr. Charles Msipa with effect from 19 September 2019 and Mr. Aeneas Chuma with effect from 23 September 2019. The two non – executive directors each bring a wealth of experience that will be beneficial to the Group as it charts its way forward into the future.

Messrs. Philip Chiradza and Godfrey Nhemachena both retired from the Board with effect from 27 June 2019, each of them having served for more than ten years on the Board of FBC Holdings Limited. Mr. Felix Gwandekwande, an executive director of the Group retired from the Board with effect from 30 September 2019. I thank the three gentlemen for their valuable contributions to the Group over the years and wish Messrs. Gwandekwande, Chiradza and Nhemachena well in their future endeavours.

Dividend

The Board declared a total interim dividend of ZWL$35.6 million, with ZWL$15.6 million declared on 28 August 2019, relating to the half year ended 30 June 2019 and a second interim dividend of ZWL$20 million having been declared on 12 December 2019. On 27 March 2020, the Board of Directors of FBC Holdings Limited resolved to make the second interim dividend declared on 12 December 2019, a final dividend, due to the need to meet the capitalization requirements of Group subsidiary business units.

Corona Virus/Covid -19 Pandemic

The threat arising from the rapid spread of the Corona virus (COVID – 19) which was declared a global pandemic on 11 March 2020 by the World Health Organisation (WHO) is creating significant disruptions at a global level for both individuals and businesses. To-date Zimbabwe has recorded a number of confirmed cases. Through our business continuity committee, we have activated our business continuity plan to mitigate against possible disruption as we seek to protect our employees and customers across the country. We have restricted employee travel across borders and postponed all scheduled FBC gatherings in response to the government order on the same. The wellbeing of all our stakeholders is our concern and as such we are continuously educating our employees and valued customers on the preventative measures recommended so as to alleviate the risk of contracting the virus. The ongoing digitalization of our systems will enable our clients to transact without the need for physical interaction, thereby assisting in curbing the spread of the corona virus.

Outlook

The resurgence of hyperinflation in Zimbabwe, the Covid-19 global pandemic and a series of extreme weather events could all have adverse effects on macroeconomic prospects. Key economic statistics point to a weak economic outlook as the country is vulnerable to exogenous and endogenous factors. Policy consistency and sequencing remains pivotal in turning around the economic fortunes of the economy. The Group will continue to adapt its various business models to the environment in order to further consolidate its position in the market.

Appreciation

I wish to convey my sincere gratitude to our various stakeholders, strategic partners, clients and regulatory authorities for their unwavering support. It is comforting to note that the Board remains confident in its strategy and together with members of staff, we are making concerted efforts in driving the growth, profitability and stability of the Group. I wish to convey my sincere appreciation to my fellow Non-Executive Directors at FBCH, Group Chief Executive John Mushayavanhu and the entire FBC team for their effort in driving the Group forward.

Herbert Nkala
Group Chairman
29 April 2020

Group Chief Executive's Report

In 2020 and beyond, FBC Holdings, aims to reduce its physical and carbon footprint through technology...

I am pleased to present to you FBC Holdings' audited financial results for the 12 months ended 31 December 2019.

The Group's 2019 financial performance is presented in accordance with the International Accounting Standard 29 (IAS29) which deals with financial reporting in hyperinflationary economies. As such, the Group's financial statements will be presented under the historic and inflation adjusted formats with the latter forming the basis for primary reporting.

Market Overview

The year 2019 was characterized by significant market developments which completely transformed the market landscape in comparison to prior years. Currency developments in February 2019 ushered in the introduction of a local currency. The market also witnessed the adoption of a mono-currency as the multi-currency regime was abandoned in response to market dynamics. The local currency however lost significant value against major trading currencies. Inflation and pricing distortions emerged strongly, severely affecting the operations of most businesses. Balance sheet risks increased significantly with the most prevalent among them being capital preservation and inflation risks. Foreign obligations assumed before February 2019 were quarantined and assumed by the Reserve Bank of Zimbabwe (RBZ) under the legacy debts/ blocked funds arrangement. The Central Bank has committed to honour these obligations. This move has resulted in organizations potentially avoiding crippling financial losses and insolvency.

The focus of the Group in light of these developments is balance sheet hedging to preserve shareholder value. Further, revenue diversification will be enhanced to immunize the Group from market shocks.

Performance of the Group

The Group achieved an inflation adjusted profit before tax of ZWL$168.8 million demonstrating its resilience in an extremely challenging environment. The performance after tax, however, was a loss of ZWL$363.3 million. The loss after tax emanated mainly from the inflation indexed tax expense of ZWL$532.1 million, which was partly caused by the income tax requirement to pay 65% of the estimated tax quarterly in advance, in March; June and September; with the balance of 35% payable in the last quarter in December. In a hyperinflationary environment the prepaid tax expense when inflation adjusted becomes very significant. The growth in revenues was inadequate to offset the magnified tax expense. The timing in earnings of other revenue lines also affected the deferred tax component of the income tax expense. The deferred tax component of income, arising from exchange gains, was more pronounced during the first three quarters of the year, in line with the depreciation of the local currency.

The Group is re-examining the major components of its business model which has an inherent risk of requiring significant holding of net monetary assets to effectively serve customers. In a hyperinflationary environment, however, the monetary assets tend to lose value rapidly translating into a loss in the absence of inflation matching pricing.

FBC Bank Limited

The Bank recorded an inflation adjusted profit before tax of ZWL$286.3 million and an after tax loss of ZWL$221.7 million. The after tax loss arose from the inflation adjusted tax expense of ZWL$508 million. The huge inflation adjusted tax expense emanated from the prepayment of forecast tax and the timing of deferred tax expense.

Group Chief Executive's Report (continued)

FBC Bank's performance was largely driven by the growth in payments and processing income. In addition, hedging strategies resulted in the Bank recording significant exchange and revaluation gains. Operating costs increased sharply as businesses indexed pricing of goods and services in United States Dollars. Cost rationalization became a necessity given that revenue growth was lower than operating costs increases. Going forward the Bank will realign operations and pursue digitalization aggressively to remain competitive and improve customer satisfaction.

FBC Bank continues to excel and break new ground in terms of market share, profitability, client quality, corporate governance and risk management.

FBC Building Society

The Society recorded a loss before and after tax of ZWL$154 million. The inflation adjusted total income of ZWL$117.7 million was inadequate to offset inflation indexed administrative expenses of ZWL$89.4 million and a monetary loss of ZWL$177.1 million which mainly emanated from the holding of net financial assets.

Revenue streams for the Building Society were driven by the core business lines such as mortgage lending and transactional business. Exchange gains and revaluations also contributed significantly to the financial performance of the business. Going forward, the business model will remain anchored on property development and investment property in order to harden its assets.

Microplan Financial Services (Private) Limited

Microplan recorded an inflation adjusted loss before tax of ZWL$38 million and an after tax loss of ZWL$42.6 million. The Unit's assets were mostly financial assets, thereby bearing the brunt of hyperinflation, with a loss in purchasing power of ZWL$45.4 million on total inflation adjusted revenues of ZWL$42.5 million.

The business experienced a slowdown in demand for credit as income levels could not provide further headroom for more credit. Inflation levels also caused a serious mismatch between income levels and reasonable lending limits. As a result, business performance was below target. The future of the business hinges on expanding the product offering in favour of non-traditional markets. The operating model will also be revised to make use of agents to assist in product and service delivery.

FBC Securities (Private) Limited

FBC Securities also recorded an inflation adjusted loss as inflation adjusted revenues of ZWL$5.8 million were insufficient to cover the monetary loss of ZWL$5 million and inflation adjusted operating expenses of ZWL$5.3 million, resulting in an inflation adjusted loss before tax of ZWL$4.4 million and a loss after tax of ZWL$5.6 million.

FBC Securities' revenue was driven by the stock market rallies experienced in 2019, as investors switched portfolios to more inflation resistant options. This business follows the fortunes of the stock market. Expectations are that the equities market will remain a hedging option and as such activity is expected to remain high as investors seek shelter in stocks. This implies that the entity will benefit from activity driven by customers looking to lock value on the stock market.

FBC Insurance Limited

FBC Insurance recorded an inflation adjusted loss before tax of ZWL$27 million and a loss after tax of ZWL$23.6 million. The business was hard hit by claims inflation and total revenues of ZWL$78.1 million were inadequate to cover, inter-alia, insurance claims of ZWL$32.2 million, operating expenses of ZWL$45.4 million, and a monetary loss of ZWL$22.6 million.

The full impact of the downside of the traditional business was reduced by the investment strategies that yielded positive results. With traditional insurance products no longer appealing to the local market, the unit has been working on expanding its micro product offering to increase the revenue base. Demand for traditional products has weakened as clients change expenditure priorities. The unit will prioritize hedging its income and assets to preserve capital.

FBC Reinsurance Company Limited

The re-insurance business recorded a loss of ZWL$26.8 million before tax and a loss after tax of ZWL$49.5 million. The unit had a total inflation adjusted income of ZWL$204.8 million. This was, however, inadequate to cover inflation indexed claims of ZWL$52.4 million, commissions of ZWL$33.8 million, operating expenses of ZWL$44.4 million and a monetary loss of ZWL$99.1 million.

The weak product demand experienced by primary insurers also filtered to the reinsurance entity. Investment income contributed significantly to reducing the severity of the under-performance of the traditional business. Management will focus on new markets beyond the boarders whilst at the same time pursuing hedging and alignment of investment portfolios to preserve value and enhancing underwriting capacity.

Capitalization

The Reserve Bank of Zimbabwe reviewed the minimum capital requirements for banking institutions to the ZWL$ equivalent of USD based benchmarks. FBC Bank Limited is now required to have an equivalent of US$30 million, with FBC Building Society expected to have an equivalent of US$20 million while MicroPlan is expected to have an equivalent of US$25 000 by 31 December 2020. The Group has developed a recapitalization plan for all entities in line with regulatory expectations. Well capitalized institutions are able to absorb business and market shocks. Such businesses also enjoy enhanced business underwriting capacity which enhances shareholder value.

Group Chief Executive's Report (continued)

At the same time, the minimum capital requirement for insurance Companies have also been reviewed with re-insurance companies expected to have a minimum capital of ZWL$75 million and primary insurance company ZWL$ 35 million.

Risk Management

Our Group strategy continues to be influenced by our risk appetite and this entails aligning our risk taking initiatives to the risk bearing capacity of the Group. These initiatives are further enhanced by our risk management philosophy that says "Everyone is a risk manager". As a result, all the value creation pursuits across the Group are informed and appraised on the basis of one of our key business principles, which is "to optimize risk".

The Group Risk Management Framework is anchored on key pillars which include adequate board and senior management oversight; risk identification; measurement; monitoring; and control; policies, procedures, and limits; internal control systems; and management information systems (MIS). Our risk management systems have been designed to enable the Group to effectively respond to the rapid changes in the operating environment. All the business processes and procedures are continuously reviewed in line with the changes in the business environment. Our risk frameworks are a blend of regulatory frameworks and international best practice standards.

We also continue to refine our internal models in order to determine the impact of various stress scenarios, building closer alignment between risk and financial planning. Capacity building and staff training on cyber security is on-going in response to the Group's digital transformation strategy and the various business technology trends that are happening across the financial services sector.

Combating the Financing of Terrorism (CFT) and Anti-Money Laundering (AML)

FBC Holdings Limited (the FBC Group) realizes the potential catastrophic impact that non-compliance with laws and regulations may have on its various operations. The Group has hence adopted a "Zero Tolerance's to Non-Compliance" and a Compliance Philosophy that dictates that "Everybody is a Compliance Manager".

The FBC Group operates in a highly regulated sector and is committed to complying with all laws including applicable financial crime compliance laws and regulations such as those related to anti money laundering, countering the financing of terrorism, sanctions and anti-bribery and corruption.

In addition, the Group has adopted International standards such as the Financial Action Taskforce's (FATF) forty recommendations as well as best practice in line with the expectations of important stakeholders such as its regulators and correspondent banks.

Human Capital Development

FBC Holdings is an equal opportunity employer that believes in the capability of its human capital to deliver its strategic and operational business objectives. In this respect, talent management and positive employee experience are central to its human capital policies and programmes. As a result, it enjoys a harmonious and stable industrial relations climate across all its subsidiaries. In addition, it has consistently enjoyed positive employee engagement outcomes that are above the national average for the past five years and this bears testimony to the value and importance that it attaches to its employee relations management and practices.

As a business the Group has also observed that there is a positive correlation between rising employee engagement and higher organizational performance and ultimately productivity. In this respect, it has also provided rewards programmes to its employees that are commensurate with the maintenance of high levels of employee commitment and belonging as reflected by the high level of employee engagement which have been recorded in recent surveys. The high level of engagement and positive employee experience levels provide the Group with a dipstick through which it is able to assess staff motivation and the extent to which they are prepared to provide a positive customer experience. In this regard, the company has observed that there is a strong positive correlation between a positive employee experience and satisfactory customer experience and will therefore continue to invest in policies and practices that realise mutually beneficial outcomes for employees and consequently our customers who matter most to our business.

The Group periodically reviews its human capital management policies and practices with a view to ensuring that areas which positively impact the level of employee experience and consequently productivity, are on the top of our employee agenda. These policies relate to areas such as employee relations; talent management; performance management; incentives and rewards; learning and development; employee participation; employee wellness; and other complementary initiatives that impact employee commitment and belonging as can be seen in the Groups employee retention levels which have consistently been above 96% for the past 6 years.

The Group believes that it still employs some of the best skilled staffers within the financial services sector. Skills retention is therefore, one of the most important factors that contribute to our strategic and competitive advantage in customer solutions and service. Our robust talent management programme through which we nurture talent from apprentice level to a full contributor ensures that we have a sufficient pipeline from which talent can be sourced internally to manage emerging areas of work and succession. The Group has moved to ensure that it positions itself for the future by embracing a digitalization and innovation strategy with a view to ensuring that all employees

Group Chief Executive's Report (continued)

embrace the necessary mental transformation and paradigm shift required for the realisation of our digitalization journey. This involves a complete turnaround in our service and performance culture as will be exhibited in the conduct and behaviour of our employees with respect to customer service, efficiency, convenience and expeditious query resolution.

The Group has installed an e- learning management system which facilitates easier and cost effective access to learning materials for all our employees through an on-line platform. This initiative has contributed towards giving the Group a competitive advantage in terms of human capital development in line with one of its values which is life-long learning. The Group will continue to invest in systems that enhance employee knowledge and improve all our processes in the business and products value chains. The Group pays tribute to its staff without whom it would not be where it is today in terms of growth and performance as measured against its market peers.

Information Technology, Digital Transformation and Innovation

Development in the Information and Technology space is growing at an exponential rate the world over. Convenience to the customer is being redefined on a daily basis by way of innovation through digital products. FBC Holdings (FBCH) strives to continue to provide a superior service to its customers and as such, we embarked on a digitalization journey in 2018. The year 2019 saw the establishment and firming up of the guiding principles for our digitalization journey, the forging of necessary relationships, enhancing back office efficiencies and launching some innovative and exciting products that have been made available, for the convenience of our customers.

The Group also undertook some major systems upgrades in 2019, aimed at improving customer experience and enabling the expansion of the digital service offerings. One such major change was the upgrade of the core banking system for the Bank & Building Society. This introduced a new look internet banking channel with exciting new features. The Bank & Building Society have also complied with the migration of their debit cards from the magnetic strip to the more secure chip and pin card. FBCH's banking units are among the first institutions in the market to comply with this requirement.

FBC Holdings continues to invest in its information technology environment, given the important role that it will play going forward. This is being done through aligning our processes to best practice. Cybercrime has become a material threat as services migrate to digital. Information Security's role is becoming more prominent in view of the need to secure the organization's information assets and the customer's confidential information. As such, FBC Holdings continues to invest in this significant capability in order to ensure that our valued customers have confidence. Information Technology Risk Management remains a key activity.

In 2020 and beyond, FBC Holdings, aims to reduce its physical and carbon footprint through technology, while increasing the availability of current and exciting new products and services through digital touch points.

Appreciation

My heartfelt appreciation goes out to all our stakeholders and particularly to our valued and loyal customers who have demonstrated unwavering support for the Group in this challenging operating environment. I am also grateful to the FBC Holdings Board of Directors, management and staff members, for their guidance, contribution and support in the execution of our business strategy. We would like to promise our esteemed stakeholders that the Group will continue to deliver sustainable, innovative and market-leading products for the present and future generations. To our customers we would like to reaffirm our commitment to our promise that you matter most to us.

John Mushayavanhu
Group Chief Executive
29 April 2020

Sustainability **Report**

Sustainability Report

The environment plays an essential role in our business and that of our clients and not taking care of it is self-defeating...

Message from our Group Chief Executive

The Group aims to create long-term stakeholder value through the implementation of a business strategy that focuses on the ethical, social, environmental, cultural and economic dimensions of doing business. The Group seeks to incorporate all those dimensions in its daily operations and to achieve this and to be effective, FBCH's approach to sustainability is also embedded in the operations of the Board of Directors ("the Board"). In this way the Board plays a pivotal role in supporting and promoting the transition to a sustainable future, strengthening the trust of our customers and society, as well providing sustained long-term value creation to shareholders.
As part of our mandate, we have continuously updated the Board on progress and priorities in relation to sustainability and climate-related risks and opportunities. I am delighted to announce that during the last four years we adopted a transformative agenda that takes us beyond business as usual where we successfully managed to marry sustainability to our corporate strategy. Currently, we are in the process of integrating environmental, social and governance ("ESG") metrics in our banking, insurance and investment decisions and processes.

The environment plays an essential role in our business and that of our clients and not taking care of it is self-defeating. The repercussions of neglecting the environment obstruct the viability of our operations and subsequently our going concern status. Having deliberately linked sustainability to our corporate agenda, we aim to create and maintain harmony between our business processes and the environment.

Our vision to create and preserve sustained long-term wealth cannot be done in isolation of our responsibility to the societies around us. Our commitment to sustainability recognises the integrated nature of the business, economy, environment and society. By partnering with our stakeholder groups, we believe that we can make a lasting impact in the creation of a more inclusive climate that is adaptive to Zimbabwe. In so doing, our sincere wish is to complement national efforts in the reduction of carbon emissions by working on climate adaptation and mitigation measures in line with Sustainable Development Goals (SDGs).

From a niche pursuit a few years ago, sustainability is increasingly becoming one of the major topical issues as the world continues to head in a perilous direction owing to climate change. Sustainable finance is becoming central to evolving and reshaping the economies. Armed with our culture which is shaped around the triple bottom line and deep understanding of dynamics in the climate space, we strongly believe that sustainability success and the well-being of communities; the environment and the economy at large, is our concern and mandate as a responsible corporate citizen.

John Mushayavanhu
Group Chief Executive

Sustainability Report (continued)

PREAMBLE

(i) Reporting Scope, Boundary and Framework
This sustainability report gives a comprehensive insight into FBC Holdings Limited's ("FBCH" or "the Group") corporate sustainability performance during the financial year 2019.
In preparing this report, we seek to provide concise but relevant information to a diverse stakeholder spectrum and all efforts have been made to combine material information from all business units of FBCH including all FBCH contact points across Zimbabwe.

We have reported on our sustainability performance as guided by our interpretation of the Global Reporting Initiative's (GRI Standards: core option) sustainability reporting guidelines, while also being consistent with the guidance of Zimbabwe's Statutory Instrument 134 of 2019.

(ii) Oversight
The Board of Directors of FBCH emphasises the need to transit from the traditional way of doing business to a more sustainable approach where we transform the societies we serve and engage in activities that positively impact the environment. Aspects relating to the wellbeing of the communities, in which we operate, the dignity of our employees, and the broader climate change concerns, are factors that we consider to be of prime importance in our efforts to reduce or eliminate them. Currently, the Group Company Secretary, Mr. Tichaona Mabeza, is responsible for monitoring and reporting non-financial elements at executive level.

(iii) Assurance
FBCH's Internal Audit unit performed a limited assurance review of the quantitative and qualitative information contained in this report. Ernst & Young Zimbabwe ("EY") also provided limited advisory services on the selection of key performance indicators.

(iv) Our Key Stakeholders
We performed a stakeholder analysis in 2018 which was revised in 2019 with seven key stakeholder groups being identified. We recognise that effective communication with these stakeholders is integral in building stakeholder value in addition to having a sustained commitment to providing meaningful, transparent, timely and accurate financial and non-financial information.

Stakeholder	Type of dialogue/channel of dialogue	Material Concerns
Employees	• Dedicated comprehensive intranet • Internal magazines (In The Sphere, The Jump) • Staff updates hosted by executive management (circulars) • Regular updates through Group PR & Marketing • Employee surveys • Induction training for new employees	• Culture transformation • Well-being in view of prevailing macroeconomic challenges
Government and regulatory bodies	• Active participation in policy forums • Response and engagement on regulatory matters • Industry consultative bodies	• Review of minimum capital requirements
Suppliers	• Transparent supplier processes • Ad hoc procurement questionnaires requesting information on suppliers' environmental, social and ethical policies	• Spiking exchange rate and the need to index • Forex shortages
Media	• Regular email and telephonic communication • Stock exchange announcements • Comprehensive investor relations website • Regular meetings with senior and executive management	• Static data on interactive platforms
Investors and Shareholders	• Annual general meeting • Two analyst briefing presentations every year • Trading updates & Annual reports • Regular meetings with senior & executive management • Regular email and telephonic communication	• Auditor independence • Gender diversity & transformation
Customer communities	• Regular email and telephonic communication • Analyst briefings • Tailored client presentations • Annual and interim reports • Client relationship managers within the business	• Increased engagement in light of the agile economic developments
Financial Institutions (Debt & Equity Analysts)	• Annual general meeting • Two analyst briefing presentations every year • Trading updates & Annual reports • Regular meetings with senior & executive management • Regular email and telephonic communication	• Quarterly trading updates

Sustainability Report (continued)

(v) Key Issues Common amongst Our Stakeholders

Impact of the macroeconomic environment
The operating environment in Zimbabwe has been an extremely challenging one, with unprecedented power cuts and a resurgence of hyperinflation with currency volatility expected to continue. What is important for stakeholders is the resilience of our diversified business model through varied economic cycles.

Notwithstanding the prevailing conditions, the Group has been able to maintain healthy asset quality and risk metrics. Our stress testing framework regularly tests our key vulnerabilities under stress and ensures that we have robust risk management processes and systems in place. We hedged well in a diversified portfolio and are confident that our business units remain resilient at this time.

Employee Well-being
Given the astronomic price increases and the hyperinflationary environment, there have been on-going engagements with workers unions and the workers themselves on the ever-rising cost of living. The Group maintained an employee centred approach with the introduction of salary adjustments to cushion its workforce.

Auditor independence
In line with regulatory guidelines, FBCH at any given time engages one of the “Big Five” Audit Firms for its external audit requirements, on an annual renewal basis. The Shareholders of FBCH annually approve the renewal of the Audit contract for a maximum of five years, at a duly constituted Annual General Meeting (“AGM”).

Deloitte are the currently external Auditors of FBCH and have since served their five year annual renewal tenure. Resultantly, our Board Audit Committee will be making recommendations to the shareholders that the Group’s external auditors be changed during the course of 2020. Factors to be taken into consideration during the selection process are credibility, audit quality and auditor independence.

Gender, diversity and transformation
With regards to rising concerns of gender balance, we understand the value of attracting and retaining a diverse workforce and striving for gender balance and diversity in all our subsidiaries. We are committed to equal opportunities regardless of gender or gender identity, age, ethnicity or culture, sexual orientation, religion or creed, variation in abilities, or any other traits that are not relevant to the job description. These are embedded in our group-wide Human Resources Policy.

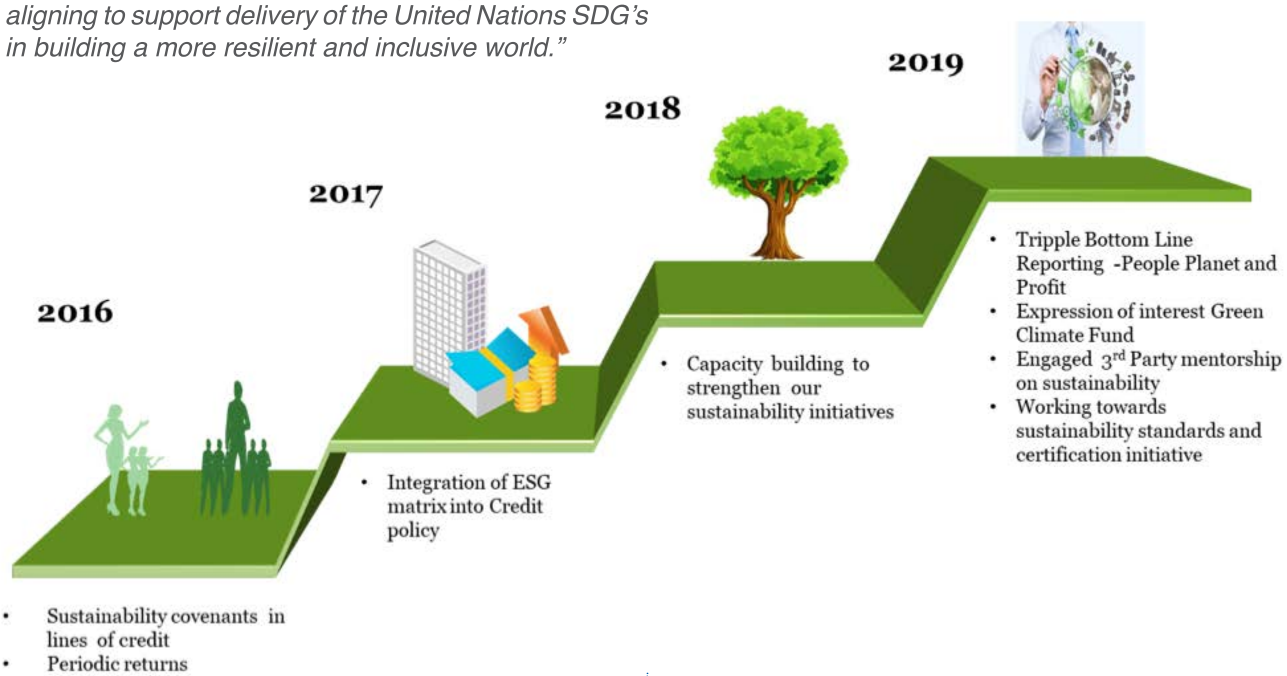
Corporate sustainability
Corporate sustainability at FBC Holdings is about contributing in a positive and responsible way to the health of our economy, the well-being of our employees and the communities we operate in, whilst safeguarding our natural resources. Guided by our vision to create and preserve sustained long-term wealth, FBCH seeks to build resilient profitable businesses that encourage our clients to grow, while contributing in a positive and responsible way to the health of our economy, our people, our communities and the environment, to ensure a prosperous future for all. The Group realizes that poor environmental performance presents threats to business survival, hence the need to quantify and qualify the Group’s impact to the environment and society at large.

Sustainability Report (continued)

1. INTRODUCTION

1.1. Our Sustainability Journey

"Though still in the initial stages, the Group is gradually aligning to support delivery of the United Nations SDG's in building a more resilient and inclusive world."



1.2. Our Sustainability Management Priorities

FBCH's corporate sustainability reporting framework focuses on three key areas of impact namely; People, Planet and Profit ("Three Ps"), also recognised as the Triple Bottom Line Approach. Adoption of the triple bottom line approach presents a platform from which the Group can better assess its impact on the broader economy, the environment and the society in which it operates.

To enhance the reporting process, FBCH identified six value drivers under the Triple Bottom Line Approach which speak to the operational facets of FBC Holdings. These value drivers were recognised as the Six Capital Factors provided as follows;
Human Capital,
Intellectual Capital,
Social Capital,
Natural Capital,
Technological Capital
Financial Capital.

These six value drivers as part of the sustainability reporting framework, are meant to measure and assess FBCH's activities, as well as to try and summarise the overall Group impact on the society, the environment and business sustainability. One of the more enduring truisms of modern management is that "if you can't measure it, you can't manage it".

At FBCH, we believe that ethical business practices and social responsibility are important functions of corporate governance and management, and as such we should welcome attempts to develop tools that make it more transparent to managers, shareholders and other stakeholders.

Under the guidance of selected GRI standards, FBCH discovered its material sustainability impacts. Though still in initial stages, the Group is gradually aligning to support delivery of the United Nations Sustainable Development Goals ("SDGs") in building a more resilient and inclusive country.

Provided below is FBC's Sustainability Framework outlining the key SDG Targets:

3 P's for sustainability	People			Planet	Profit	
Our 6 Value Drivers	Human Capital	Intellectual Capital	Social Capital	Natural Capital	Technological Capital	Financial Capital
Our Key Deliverables	• SDG 4 –Quality Education • SDG 2 –Zero Hunger • SDG5-Gender Equality • SDG 8-Decent Work and Economic Growth • SDG11 -Sustainable Cities and Communities • SDG 1- No poverty • SDG 3- Good Health and well being			• SDG7 – Affordable and Clean Energy • SDG 6- Clean Water and Sanitation	• SDG 16- Peace, Justice and Strong Institution • SDG17 –Partnerships for the Goals	

Sustainability Report (continued)

1.3. Our Commitment to Sustainable Development Goals (SDG's)

FBCH being a diversified financial services group, has a business model that is best positioned to contribute to the SDGs by facilitating strong institutions (SDG 16) and partnering with our stakeholders (SDG 17) to alleviate hunger (SDG2) and work towards poverty eradication (SDG1)

After engagement with our stakeholders, we have prioritised our goals to ensure that they are globally aligned yet locally relevant to our core geographies and reflective of our current business model and growth strategy. The aim is to maximise socio-economic and environmental impact by coordinating and integrating activities across our operations, businesses and communities.

Financing innovative solutions that enable access to affordable and clean energy (SDG 7) as well as providing access to quality education (SDG 4), are all vital initiatives for economic growth and job creation (SDG 8).

At the same time, our business through FBC Building Society, has established funded sustainable cities and stronger communities (SDG 11). As a result, we prioritised these 11 SDGs which, given the interconnected nature of the goals, will help maximise our contribution to most of the SDG goals.

As a business we will continue to test these priorities for relevance and impact, as our SDG journey progresses.

1.4. Key Sustainability Performance Highlights

1.4.1. People

(i) Human capital

"FBC believes in the capability of its human capital to deliver its strategic and operational business objectives."

Purpose and priorities	Impact
Promoting a healthy balance of the mind, body and spirit in a conducive business environment	• Group has a Wellness Policy and conducts employee wellness programs. • Partnered Medical Air Rescue Services (MARS), Medical Aid company, Red Cross in training our staff members in First Aid procedures; Trained First Aiders 41 (2019) vs 37 (2018). • At our project sites, FBC Building Society staff members are trained and equipped under Safety Health & Environment ("SHE") guidelines: Five officers trained in 2019. SHE prep talks conducted each morning. • Group has made investment into Sporting and Recreational Facilities – FBC Old Hararians Sports Club with active membership 247 (2019) against 234 (2018) • The Group' spent ZWL$1.4million (2019) vs (ZWL$207 00 in 2018) on sporting & wellness development. • Partnership with New StartCentre and CONNECT for free counseling and HIV / AIDS testing.
Talent and leadership	• At least 1% of our annual staff costs is committed towards learning and development. • Learning and development approved budgets for 2019 ZWL$1.9 million.
Staff retention and motivation	• Staff turnover rate in 2019: 2% vs 2018: 2.8%. • Employee engagement: 69.1% (2018); (2019-66.2%).
Diversity and equality at all levels of the group	• Female employees constitute 43% of workforce (2019). 45% (2018). • Percentage of female Board member Constitution (target of at least 30%) 2018: 14% and 2019: 15%. • Senior female managers 30% (2019). • Executive Management 24% (2019).

Sustainability Report (continued)

(i) Intellectual capital

"Applying our financial skills and expertise to provide efficient solutions for clients"

Purpose and priorities	Impact
Preserving value through risk management	• Credit loss ratio weighted average range at 1.19% improved from 3.4% (2018).
Responsible lending and investing activities	• Continuous training of Board Members, Executives, Management and staff on Environmental, Social and Governance (ESG) practices. • Group Credit Policy being aligned to IFC standards. • Working with lenders such as NORSAD on ESG related covenants which will strengthen our capacities in the long term.

(ii) Social capital

"FBCH as a corporate entity, values key stakeholder relationships in order to enhance its impact on society and the macro-economy."

Purpose and priorities	Impact
Building deep durable relationships with our clients and creating new client relationships	• Customer accounts (deposits) up 40% (151 761 Accounts in 2019 against 108 696 in 2018).
Contributing to society through our community programmes	• Community commitment of ZWL$5.7 million (2018: ZWL$0.589 million).
Committed to transformation and youth employment in Zimbabwe	• FBC annually takes in student attachés and graduate trainees from universities and assists them from a skills development perspective. • In 2019 Student attachés and graduate trainees represented 13% of the Group's work force (2018:14%).

1.4.2. Planet

(i) Natural capital

"We support the provision of clean water and the adoption and use of clean energy in order to prolong life and preserve the planet."

Purpose and priorities	Impact
Capacity Building for Climate Financing	• Expression of Interest in seeking accreditation to access concessionary funding from the Green Climate Fund under the Private Sector Facility (PSF). • Benefiting from bilateral relations with regional lenders from the facilitation efforts of South South North ("SSN"), a leading player in the training, support practice, and facilitation efforts in the fields of climate change and development. • Participated in the Southern Africa Climate Finance Partnership ("SACFP") learning forums, an initiative of SSN, which sought to develop a regional climate finance partnership between six countries (Botswana, Lesotho, Namibia, South Africa, Zambia and Zimbabwe). • FBC Bank applied and was accepted to undergo the Sustainability Standards and Certification Initiative ("SSCI") certification process under the European Organization for Sustainable Development ("EOSD").
Funding and participating in renewable energy projects	• Zimswap solar pump borehole initiative (Leasing initiative championed by our SME Division). • Investment banking division is currently undertaking due diligence relating to the establishment of a 5MW Solar Park.
Limiting our direct operational carbon impact	• Group reduced its fuel consumption by 34% in 2019. • Petrol consumption was down 42% (2019) and Diesel down 27% (2019). • In the design of our new Head Office, FBC has incorporated a number of environmental initiatives intended to reduce our carbon footprint.

Sustainability Report (continued)

1.4.3. Profit

(i) Technological capital

"FBC Strives to deliver efficient solutions through technological advancement to support our businesses and facilitate our digital strategy."

Purpose and priorities	Impact
Providing access to products and services which are both high-tech and high-touch	• We are continually enhancing and evolving our client digital platforms to ensure a seamless, integrated client service experience through our FBCH service channels such as Zimswitch, Point of Sale Machines, Internet banking, Mobile banking and Prepaid MasterCard.
Optimizing the internal value chain, and improving productivity	• We executed a number of core platform improvements, including the upgrade of our core banking System. • In response to an increase in cashless transactions, the Group enhanced its look and feel aspect of our mobile banking and internet banking platforms so as to enhance customer experience.
Establishing Partnerships in the growing fintech ecosystem	• We have established relationships with a 3rd party in the creation and operationalization of our fintech ecosystem. • During the year FBC Insurance went into partnership with a regional company and a local ambulance service provider in the provision of our internationally benchmarked "My drive" product.

(ii) Financial capital

"At FBC we strive to create sustained long-term wealth by growing our core businesses."

Value Added Statement

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Net interest income	315 766 737	534 881 799	131 346 875	65 198 652
Net fee and commission income	307 614 983	343 851 964	148 364 854	42 800 645
Net income from property sales	19 392 747	17 242 103	13 513 449	2 488 740
Net earned insurance premium	197 495 553	170 534 120	80 901 198	21 679 246
Other operating income	758 150 144	96 303 971	685 700 780	13 757 505
Economic Value Generated	**1 598 420 164**	**1 162 813 957**	**1 059 827 156**	**145 924 788**
Administrative expenses	497 647 894	311 217 203	239 956 496	40 338 762
Employee Wages and Benefits	369 637 895	272 485 209	192 279 183	32 425 016
Commissions and claims paid	119 663 349	118 000 014	64 424 839	15 462 559
Income tax expense	532 101 996	90 944 202	233 482 765	10 211 030
Community Investments	7 803 870	1 236 419	5 700 000	538 557
Economic Value Distributed	**1 526 855 004**	**793 883 047**	**735 843 283**	**98 975 924**
Economic Value Retained	**71 565 160**	**368 930 910**	**323 983 873**	**46 948 864**

Sustainability Report (continued)

1.4.4. External recognition

As a Group, we appreciate the feedback that we are given by the communities in which we operate. We appreciate the awards and recognition as a direct acknowledgement of our impact and value creation within the societies we operate.

In 2019 the following FBC Brand recognitions were made:

FBC Holdings

FBC Holdings won the Institute of People Management of Zimbabwe(IPMZ) 1st Runner Up People Development and Impact Award 2018.

FBC Holdings has also been recognised as one of the nation's Top Five Listed Companies in The Zimbabwe Independent 2018 Quoted Companies Survey (QCS).

FBC Bank

FBC Bank scooped the Most Sustainable Corporate Social Responsibility Programme of the Year Award in the 2019 Banks and Banking Survey.

FBC Bank scooped the Institute of Chartered Secretaries and Administration of Zimbabwe (ICSAZ) Overall Winner Best Governed Banking Institution.

FBC Bank also scooped the IPMZ Overall Winner Risk and Internal Control Reporting Award.

FBC Bank was also recognised as one of the Marketers Association of Zimbabwe(MAZ) Top 20 Business to Business Super brands.

FBC Insurance

FBC Insurance's Usage Based Insurance Service (MyDrive) won the First Runner Up Innovative Product Award in the Business Weekly Inaugural Consumer Insurance Awards.

MyDrive also won the Marketers Association of Zimbabwe(MAZ) Second Runner Up Best New Product or Innovation of the Year Award in the Exceptional Marketing Awards 2019.

Microplan

Microplan won the following awards in 2019:

- Financially stable Micro Finance Institution;
- Fastest Outreach growing Micro Finance Institution;
- Most Exceptional customer-centric Micro Finance Institution;
- Overall best award in the Microfinance Sector
- and the first runner up in the Most Digitised & innovative Micro Finance Institution.

Sustainability Report (continued)

2. OUR COMMITMENT TO OUR PEOPLE

2.1. Our Human Resources Management Priorities

FBCH values its human resources and invests significantly in opportunities for the development of its employees and the molding of the leaders of tomorrow. We are committed to the development of our people through training and skills development for the efficient and effective attainment of our corporate aims and objectives.

Our Group stance is that training should be based on identified training needs, and therefore should be measured or evaluated in terms of its contribution towards increased human performance and productivity.

FBC Group Chairman Non-executive and Executive Directors, Senior Management and Staff members follow proceedings during the FBC Holdings training on the new Zimbabwe Stock Exchange (ZSE) Listing Requirements.

The following are the major focus areas of the Group's human resources strategy;

Recruit based on merit, inspire growth and continuous learning

The Group ensures that the right candidates are recruited based on the required skillsets without discrimination.

We invest significantly in opportunities for the development of all our employees and in leadership programmes to enable current and future leaders of the group

We seek to create an environment where difference is embraced, and people are given the same opportunity for growth and to perform.

Zero tolerance to harassment, bullying and other violations is fundamental

At FBCH, we do not tolerate any form harassment be it sexual harassment, bullying or similar violations in the workplace.

We endeavour to create a conducive working environment for all, where diversity is embraced and equity is maintained.

During the year we conducted employee engagements with a laser focus on this subject in order to create awareness and an even more inclusive workplace through team discussions.

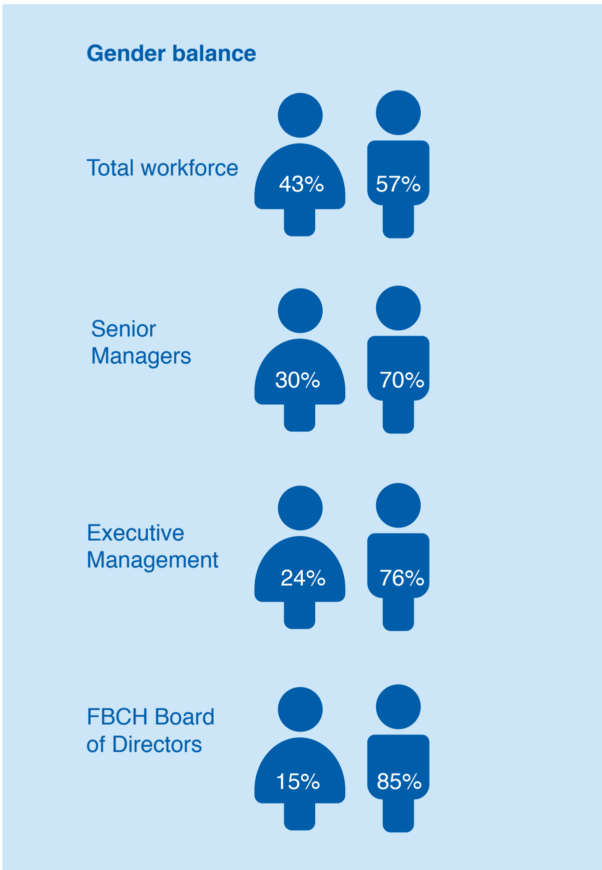
Create an organisation in which all our people feel valued for what they contribute and are celebrated for who they are.

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between the leader and the team, to deliver on strategic imperatives and development needs.

Our performance management methodology focuses on aligning individual and team performance to commercial priorities.

We ensure that our performance management is constructive and motivational to all.

We reward people meaningfully for performance and contribution to the overall Group objectives.



Sustainability Report (continued)

2.2. Our Working Environment

2.2.1. Family considerate policies

Based on our understanding of family, we ensure harmonisation of parenthood and career at the workplace. Contributing to SDG 5 and in line with guidance from International Labour Organisation, the Group has a maternity scheme with enhanced benefits.

“Every female employee is entitled to 98 Maternity leave days and one hour for breastfeeding on a daily basis for up to 26 weeks”

2.2.2. Health, safety and wellness

The Group has dedicated safety, health and environment resources whose main duties are to identify and manage all safety risks across. It is one key requirement for every unit to have first aid kits and abide by set safety standards.

We realise the impact of chronic illness and have deliberately put in place policies to conscientise our valued staff members. Through our HIV/AIDS policy we commit to provide resources and leadership to implement an HIV/AIDS Awareness Program.

To improve on hygiene standards, the Group provides hand sanitizers and toiletries for use within the office space.

Indicator	Unit	2019	2018
Total Number of Injuries	Count	0	1
Total number of occupational disease rate	Count	0	0
Number of days lost due to Absenteeism	Count	1 424	751
Number of work-related fatalities	Count	0	0
Safety Training (days)	Count	26	8

FBCH employees participating in a sponsored cancer power walk in 2019.

2.2.3. Whistle-blowing policy

In line with our resolute commitment to transparency and fairness at the workplace, the Group has a “Tip-offs Anonymous” platform to encourage employees who have serious concerns to air them without fear of being victimized. This platform is manned by an independent party to ensure confidentiality of the issue reported and anonymity of the individual. To appreciate individuals who participate on this whistle blowing platform, we offer rewards for all serious issues raised and this is done confidentially without exposing the whistle blower.

To further engender openness, we have adopted an open door policy where senior officers mingle with their subordinates freely and openly.

“Everyone is a risk manager”

2.2.4. Human resource development and retention

At FBCH, we firmly believe that agile leaders and exceptional strategic thinkers are built from within the organisation through mentoring. Our philosophy is to develop and nurture our own talent as part of our talent management strategy and policy. The talent pipeline then feeds into our human resource succession planning where as much as possible; appointments to more senior positions are from within as opposed to sourcing skills from the market. This is not only cost efficient but also motivates our employees by demonstrating the promotional opportunities that exist within the organization.

“The Group provides internship opportunities for current and former University students. This enables them to be exposed to real life working experiences that strengthen their academic pursuits.”

We target a minimum of 1% learning and development spend as a percentage of staff costs for the Group.

Our Group Human Resources Division has a dedicated training arm whose key mandate is to ensure continuous development of all staff members. Through the Group Training Department, we conduct training needs assessments and skills audits to ascertain knowledge gaps and ensure bespoke learning programmes are put in place in line with market trends.

Voluntary Staff Turnover 2% (2.8%-2018)
Average training hours 11.75 per employee (15 hours:2018).

Sustainability Report (continued)

2.2.5. Diverse skills base

We encourage our staff to join professional bodies for professional and personal growth. Resultantly some of our staff are active members to the following bodies:

- Institute of Bankers Zimbabwe (IOBZ)
- Chartered Institute of Management Accountants ("CIMA")
- CFA Institute ("CFA")
- Institute of Chartered Accountants Zimbabwe ("ICAZ")
- Association of Chartered Certified Accountants ("ACCA")
- Institute of Chartered Secretaries and Administration of Zimbabwe ("ICSAZ")
- Institute of Chartered Tax Accountants ("ICTA")
- Institute of Personnel Management of Zimbabwe ("IPMZ")
- Marketers Association of Zimbabwe ("MAZ")
- Institute of Insurance of Zimbabwe ("IIZ")
- Institute of Internal Auditors of Zimbabwe ("IIAZ")
- Project Management Institute of Zimbabwe ("PMIZ")
- Law Society of Zimbabwe ("LSZ")
- Institute and Faculty of Acturials ("IFoA")
- Banking Working Group - International Actuarial Association ("IAA")
- Actuarial Society of Zimbabwe ("ASZ")

2.2.6. Remuneration and performance management

We have competitive and lucrative remuneration packages in place to stimulate innovation and exceptional performance. We reward based on industry trends and we always engage the workers council in our salary negotiations.

The Group is committed to continuous performance and productivity improvement and in this respect we conduct staff appraisals bi-annually to encourage and motivate staff to perform at their optimum ability. In line with our philosophy of employee ownership, all employees across the organisation have the opportunity to participate in our long-term growth, through the FBCH Employee Share Trust. All FBCH staff members subscribe to the FBCH Pension Fund.

"FBCH Employee Share Trust owns 0.45% of the Group"

2.2.7. Grievance resolution

We understand that disputes are inevitable when different parties meet. As such, we have put in place amicable dispute settlement procedures. The group is committed to treating all employees with fairness, dignity and compassion.

Workers in the Group are at liberty to create and subscribe to a workers committee that is elected or appointed by them as laid down in the Labour Act. A Works Council composed of an equal number of management and employee representatives conduct meetings from time to time to discuss matters of mutual interest.

FBCH policies and procedures are outlined in our internal documents which are always available at every employee's work station. These are intended to guide, conduct and ensure that our actions and attitude reflect the Group's values and philosophies at all times.

Sustainability Report (continued)

3. INVESTING IN OUR COMMUNITIES

“FBCH recognises that central to economic growth is community empowerment which is vital to creating a sustainable future”

In our quest to contribute to the greater good, the Group seeks to positively impact and engage the communities we serve. We have various programs to empower, encourage and nurture the entrepreneurial spirit, valuing diversity and respecting others, which all underpins our aim of being a responsible corporate citizen. Our approach is tri- faceted:

- Adequate food supplies and access to clean water (aligned to priority SDG 1,2,3 and 4)
- Affordable education (aligned to priority SDG 4: quality education)
- Environment and other philanthropy (aligned to priority SDG 6, SDG 7, SDG 9 and SDG 11).

3.1. Zimbabwe Schools Water and Agricultural Projects (ZIMSWAP)

FBCH undertook the initiative to support the provision of affordable low cost green energy to learning institutions across the country. To this end, 32 schools with an average enrolment of 1400 students each were supported in the installation of solar powered boreholes.

- 32 schools supported.
- An average 1 400 students access clean water on an annual basis.
- 1 community with an average of 15 families having access to clean water.
- Approximately 10 communities around each school benefit from horticultural produce.

FBCH ZIMSWAP sponsored Nutrition Garden in 2019.

3.2. Classroom Block Donation -Cyclone Idai Devastations

During the 2019 financial year, the country was hard hit by a devastating cyclone which left hundreds homeless. The Group was swift to respond, availing donations in the form of basic commodities amounting to 40 tonnes and 2 000 litres of fuel. In addition to that, the Group donated material to build a classroom block with four classrooms which is expected to house 180 students annually.

Roy Nyakunuwa (FBC Group Marketing), School Development Committee (SDC) Members and parents pose with some of the construction material donated by FBC Holdings at Charleswood Primary School in Chimanimani.

3.3. University Scholarship

In line with SDG 4, the Group identifies education as a significant pillar in our sustainability and corporate social responsibility initiatives. FBCH supports five academically and financially deserving MSU students annually under the FBC-MSU Scholarship Fund paying their full tuition.

3.4. Enthembeni Old People’s Home

We understand that as a corporate citizen we have a mandate to support the disabled and old people. In 2019, we supported Enthembeni Old People’s home with ZWL$10 000 to cater for pensions and utility bills. Forty two residents and fourteen staff members benefited from our donation.

FBC Bank Managing Director Webster Rusere and Judge Dube (FBC Building Society Bulawayo Branch Manager) posing for a photo during the presentation of ZWL$10 000 to Enthembeni Management.

Sustainability Report (continued)

3.5. Ministry of Education Primary and Secondary Education Secretary's Merit Awards

The Group signed a 5 year Memorandum of understanding with the Ministry of Primary and Secondary Education for the sponsorship of their Merit Awards. This initiative has benefited more than 10000 learners country wide, as the Group established technology centres in more than 10 schools.

Ministry of Primary and Secondary Permanent Secretary Mrs Tumisang Thabela (Centre) presenting the Secretary's Merit Award alongside FBC Building Society Bulawayo Branch Manager (Far right) at Mawaba Primary School

3.6. Summary of Community Investments in 2019

Category	Initiative/ Activity	Organisation (s) Supported	Materials Donated	Amount/ Value ZWL$
Education	Midlands State University	Payment of fees for five MSU students	Funds	3 806
	Africa University	Graduation Day Ceremony Donation	Book Prize	1 000
	Solusi University	Graduation Day Ceremony Donation	Prizes for 2nd best students	2 175
Sports	Bindura University of Science & Education	Wellness Day	Funds	5 000
	Zimbabwe National Army	Horse racing	Saddle cloths	12 827
Health	Kidney Association for Zimbabwe	Golf day to raise awareness of Kidney failure	Participation at the event	2 180
	Zimpapers	Cancer power walk	Participation at the event	10 000
Gender	Woman Excel	Women empowerment	Representation at the event	2 000
	Woman Excel	Women empowerment	Representation at the event	5 000
Arts	Zimbabwe Museum of Human Sciences	National Heritage Quiz Competition	50 caps & 300 pens	6 273
Humanitarian	Enthembeni	Supporting the institution	Utility bill &Pensions	10 000
	Harare Mayor's Cheer Fund	Supporting the underprivileged	Funds	13 209
	Cyclone Idai victims	Purchase of building materials for school	Building materials for 2 classroom blocks	5 000 000
	Angel of Hope	Supporting the underprivileged	Funds	500 000

Sustainability Report (continued)

4. OUR COMMITMENT TO OUR PLANET

"Our approach builds on the notion that we need to understand and mitigate consequences of climate change in relation to our financial services business"

4.1. Climate Change

The threat to companies from climate change repercussions is becoming unbearable. Its complex environmental impact is directly affecting business, society, and ecosystems. Until recently, companies have freely emitted carbon without putting in place any combative measures. It has gradually dawned on corporate entities, that there is a steep monetary and social price to pay for this oversight. To this end, companies are slowly buying in to the idea of dealing decisively with climate related issues in order to meet stakeholder expectations and standards for social responsibility.

4.2. Our Strategy

The effects of climate change have become a reality and have to be addressed with strategic expediency. While we understand that strategies to mitigate and adapt to climate change should have been adopted about three decades ago, it is always better late than never. As fairly new as the subject is to FBCH and the generality of players in the financial services space, we are making deliberate efforts to align our operations to the global call of mitigation and adaptation. As we work on marrying the sustainability agenda to the corporate agenda, our main focus with regards to caring for the environment is on the following:

- Promoting responsible sourcing and supply;
- Efficient usage of resources in our operations;
- Reduction of our carbon foot print;
- Supporting our clients in mitigating their environmental burden.

4.3. Indirect Impact

The FBCH ESG policy takes into account the challenges that climate change presents to the global economy. We believe that our positioning as a financial services player and being part of the economic hub can have a meaningful impact in our quest to address climate change. Regardless of the complexity and urgency required in this regard, we believe that our partnership with stakeholders will speed up the transition towards a low-carbon nation and ultimately the world at large.

We also recognise the contribution of various industries, including the energy sector, to our profitability and the economic growth of the country. As a general principle, the Group will avoid providing funds to coal-fired power and tobacco projects and will only consider funding, under very strict acceptance criteria.

4.4. Direct Impact

In recognising that we have a responsibility to understand and manage our wider carbon footprint, our approach is focused on limiting our direct operational impact and creating awareness, to encourage positive sustainable behaviour. The key focus areas to reduce our operational carbon footprint include:

- Reducing energy consumption;
- Reducing water usage;
- Reducing overall waste (recycle);
- Promoting sustainable travel;
- Promoting sustainable procurement.

We acknowledge the deficiencies in our systems to fully capture and calculate the carbon footprint as prescribed by global standards. The Group has, however, started collecting readily available environmental data as we build our own internal systems. The following information was collated in 2019:

Energy Consumption

	2019	2018
Electricity	1.8m KWh	2.3m KWh
Petrol	26 120 Litres	18 000 Litres
Diesel	35 020 Litres	14 000 Litres

Water Footprint

	2019	2018
Municipal (Third-party water)	63 Mega Litres	65 Mega Litres
Groundwater	2.9 Mega litres	5.7 Mega litres

5. OUR PURSUANCE OF PROFITABILITY

"Strong client activity levels has continued to support the Groups underlying performance even in times of business unpredictability"

5.1. Overview of our 2019 Financial Year

During the course of 2019, Zimbabwe was declared by the Public Accountants and Auditors Board (PAAB) of Zimbabwe, to be a hyperinflationary environment, urging the adoption of International Accounting Standard (IAS) 29.

Consequently the preservation of value for both our stakeholders and that of business operations became central to the long term sustainability of the Group.

Driving performance for the period under review has however, been the strong client activity which has continued to sustain the Groups performance.

Sustainability Report (continued)

As the Group's subsidiaries experience the challenging operating environment, the main focus will be on the buttressing of strong liquidity and risk management principles for resilience and sustainability.

5.2. Sound Capital and Liquidity Principles Maintained

In full appreciation of Zimbabwe's unique operating environment, the steadfast involvement of senior management in day to day operations will ensure stringent management of risk and liquidity by the Group.

A well-established liquidity management philosophy remains in place with continued monitoring triggers.

Capital remained in excess of current regulatory requirements across all subsidiaries as at 31 December 2019, Capital Compliance will however need to be tracked on an on-going basis, with the coming in of new directives in 2020.

6. OUR TECHNOLOGICAL JOURNEY

"FBC Holdings strives to keep abreast with technological developments in the financial services sector in order to serve a multi – banked sophisticated 21st century customer."

6.1. Our Strategy

FBC Holdings intends to deliver efficient and effective information technology solutions to the market in order to provide seamless client service, within acceptable risk tolerance. As such, the Group recognizes that information and technology resources are critical business assets which need to be appropriately managed and secured. In our diversified businesses, FBCH continues to drive innovation in line with defined business objectives – integrating people, technologies, information and processes. Subsequently the capturing of potential opportunities and the management of disruptive effects on the organization become of paramount importance.

6.2. The Key Principles Underpinning our IT Strategy are:

- Alignment of IT architecture across the Group;
- Rationalizing and simplifying our application and data footprint;
- Leveraging on our digitalization thrust; and
- Continuous improvement of our security capability.

6.3. Digitalization

In 2017 FBCH embarked on a digitalization journey which has resulted in the establishment and firming of guiding principles in 2019 under the guidance of the Board of Digitalization and Innovation Committee. The Digital Business Optimization route adopted by FBC will help improve existing FBC operating processes and business models and better deliver on customer experience, lower costs, improve productivity and revenues. The new business model should see the Group reducing the current branch network and investing more in customer self-servicing enabling technology. The technology is aimed at providing capabilities such as viral onboarding of clients through the use of efficient user friendly electronic sign up processes.

6.4. ICT and E-commerce

Whilst the Group pursues its digitalization program, there are several projects necessary to keep current business operations and systems fully operational to deliver quality customer experience and comply with regulatory requirements.

Major projects undertaken by the Group in 2019 relate to:-

Upgrade of the Group's Core Banking System Flexcube - The upgraded version incorporates a Credit Management System, OBDX for Internet Banking, documentation management system and client relationship management tools which are being developed in phases.

Revamped FBC Contact Centre - The FBC Contact Centre service offering has been broadened to enhance customer experience.

EMV Compliance and MasterCard - The Group's EMV/Chip and Pin project is now nearing completion. The Prepaid MasterCard has performed well during the period under review and achieved close to 100% uptime.

6.5. IT Security and Risk Management

FBC has continued to build information security and IT risk management capabilities across the Group while promoting the responsible handling of personal data. It is part of the Group's strategy to enable business continuity while protecting information assets by proactively identifying and mitigating threats to our people, processes, technology and data.

The business has invested in training to enhance staff awareness of information security risks and reinforce their responsibilities in safeguarding information assets. Policies and procedures are in place for employees with access to critical information. A suite of IT security policies is available internally to all staff, which includes a detailed Acceptable Usage Policy. Information security awareness is an ongoing activity and as such, training is provided to staff members, to ensure high levels of vigilance.

6.6. Cybersecurity

We maintain a risk-based strategy, incorporating prevention, detection and response capabilities, to ensure that the Group is adequately protected against advanced attacks. Continual monitoring provides visibility and enables a proactive response to evolving cyber threats. We maintain active participation in the global cybersecurity industry to stay current and relevant.

Sustainability Report (continued)

7. CORPORATE GOVERNANCE, RISK AND COMPLIANCE

"Our FBC values require that our directors and our employees be people of integrity: - displaying consistent and uncompromised moral strength in order to promote and maintain trust amongst our various stakeholders"

7.1. Governance

FBCH's corporate responsibility is about building our businesses to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving clients' and stakeholders' wealth based on strong relationships of trust. This commitment to corporate responsibility means integrating social, ethical and environmental considerations into our day-to-day operations. A key element of this integration is solid corporate governance that ensures sustainable management with our long-term vision.

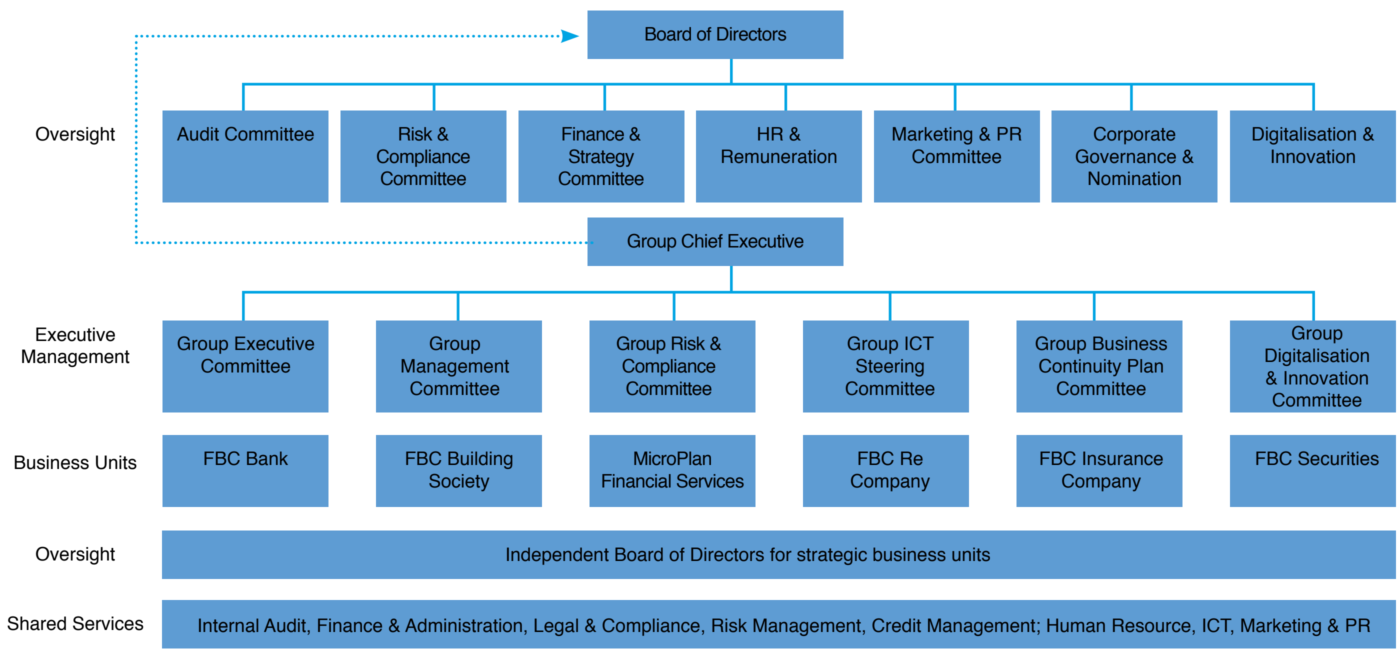
7.2. Our Board:

The FBCH board oversees and monitors on an ongoing basis, the impact of the Group's activities and products as a responsible corporate citizen to the triple bottom line - being People, Planet and Profit. This oversight and monitoring is performed against measures and targets agreed with management in the workplace, economy, society and environment.

The board exercises leadership, integrity and judgment in pursuit of group wide strategic goals and objectives to achieve long-term sustainability and growth. The board is accountable for the performance, regulatory and compliance issues relating to the different facets of the Group.

The Board provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

7.3. FBCH Board Oversight



The FBCH board is comprised of 4 executive directors and 9 non-executive directors including the chairman. The changes to the composition of the board and the boards of the principal subsidiaries as at 31 December 2019 are detailed under the Corporate Governance section contained herein, in the Group's 2019 Integrated Annual Report.

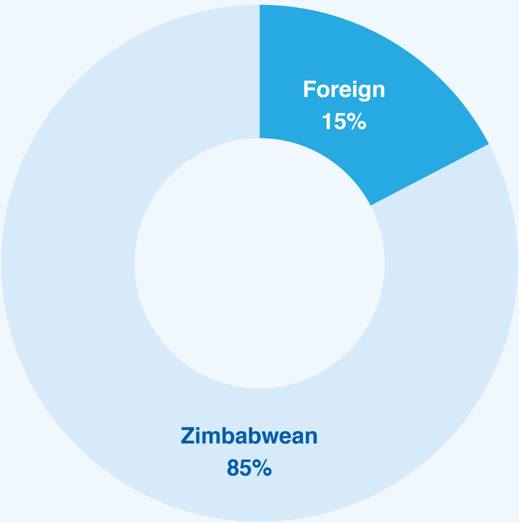
Sustainability Report (continued)

7.4. Board Diversity

FBCH recognizes that a balanced board is vital for sustainable value creation. Subsequently FBCH's board composition shows a good mix of skill, experience as well as succession planning. The Group has spent significant time on board refreshment and composition, ensuring that the structure and shape of the boards is appropriate.

Below are a few board statistics relating to composition;

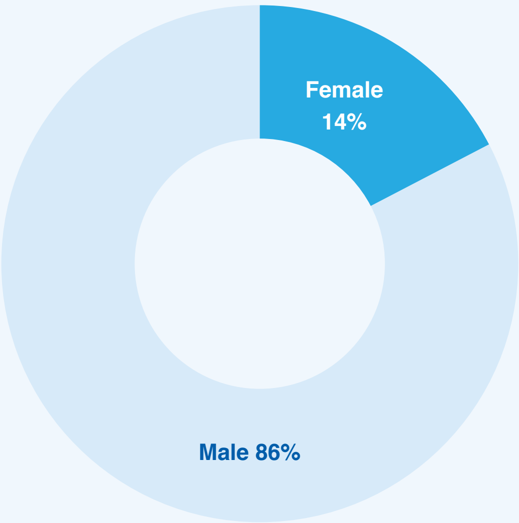
Board Geographical Mix



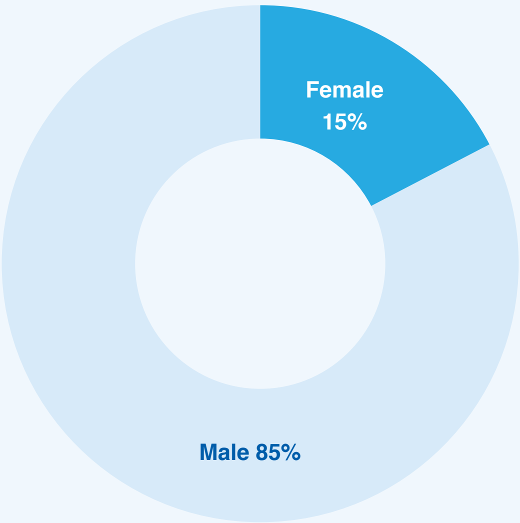
Age Profile

40- 50 years	1%
51-54 years	23%
55-59	23%
61 – above	53%

Board Gender Balance 2018



Board Gender Balance 2019



7.5. Board Effectiveness

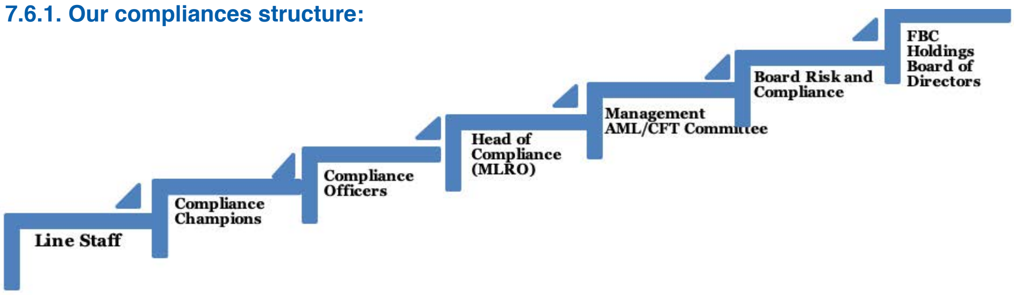
The board annually reviews its own effectiveness using a prescribed Reserve Bank of Zimbabwe Board Evaluation Framework. The performance of its subsequent board committees and individual directors is also evaluated on an annual basis. Results over the years have been satisfactory, showing board effectiveness both at individual directorship level and board level.

7.6. Compliance

Zimbabwe over the past year has seen the proliferation of numerous directives demanding agility and adaptation in terms of operational business processes, procedures and effective policies. FBC remains focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in each of our business units.

Sustainability Report (continued)

7.6.1. Our compliances structure:



FBC's Group subsidiaries are subject to rigorous external regulation and supervision. Consequently, all employees have a duty to comply with acceptable standards of corporate governance and international best practice. Guided by the compliance philosophy that "everyone is a compliance officer", there is zero tolerance for non-compliance within FBC.

Below is a listing of legislation relating to the Group subsidiaries

- Companies Act [Chapter 24:03];
- Banking Act [Chapter 24:20]
- Banking Regulations SI 205/2000;
- Securities and Exchange Act [Chapter 24:25];
- Securities Regulations SI 100/2010;
- Building Societies Act [Chapter 24:02];
- Insurance Act [Chapter 24:07];
- Exchange Control Act [Chapter 22:05];
- Labour Act [Chapter 28:01];
- Income Tax Act [Chapter 23:07];
- Stamp Duties Act [Chapter 23:04];
- Capital Gains Tax [Chapter 23:01];
- Value Added Tax [Chapter 23:12];
- Money Laundering and Proceeds of Crime Act [Chapter 9:24].

7.6.2. Anti-bribery and corruption

The Board through the Risk and Compliance Committees and Audit Committees is committed to the elimination of any fraud and corruption within the Group. The Group Anti-Fraud and Corruption Policy sets the Groups approach in preventing and deterring corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing in the Group's activities. The policy takes into consideration relevant legislative, regulatory as well as internal policies related to fraud risk management.

Below are the Group's Fraud Awareness and Ethics Training Statistics as a percentage of Total Staff Complement:

	2019	2018
Fraud and Ethics Awareness and Training	90%	95%

Adhoc training is also undertaken on an as needs basis throughout the year.

7.6.3. Anti-money laundering (AML), terrorist financing (CFT) and fraud

FBCH is committed to protecting both FBC and its stakeholders from becoming victims of fraud, anti- money laundering by ensuring that adequate resources are provided for employee training and awareness, appropriate client anti-money laundering education and implementing a proactive approach to detecting and preventing fraud, as well as AML and CFT facilitation. Over the years, FBC has invested in application tools for the surveillance and monitoring of transactions whilst also undertaking Know Your Customer (KYC) risk assessments. The Group also uses the SWIFT KYC registry to facilitate the KYC of other banking institutions as well. All suspicious transactions are reported to the Reserve Bank of Zimbabwe.

7.6.4. Sanctions

FBCH is committed to complying with the sanctions laws and regulations of the United Nations (UN), the UK, the European Union (EU), the United States (US) OFAC, Australia, Canadian, Specified Persons List and local Financial Clearing Bureau (FCB), in addition to all relevant international sanctions applicable to FBCH's business operations. Subsequently the Group uses a special reference list tool to undertake sanctions screening for Politically Exposed Parties (PEP's) and undertakes adverse media screening. The Group also makes use of SWIFT to monitor cross border transactions and World Check for the screening of suspicious persons and transactions.

7.6.5. Whistle-blowing and protected disclosures

Whistle-blowing in FBCH is addressed in line with the Group's Anti-Fraud and Corruption Policy. The aim of whistle blowing is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behavior in the workplace. Subsequently, the Groups reporting mechanism is two 'pronged; where issues can be internally reported to the Group's forensic audit unit or be reported externally to Deloitte and Touché under their Tip Offs Anonymous whistle blowing program.

Reporting Mechanism	Number of Reports Received	
	2019	2018
Forensic Audit	3	3
Deloitte's Tip Offs Anonymous	13	9

Directors' Report

The Directors have pleasure in submitting the annual report and financial statements, for the financial year ended 31 December 2019, for FBC Holdings Limited.

ACTIVITIES AND INCORPORATION

FBC Holdings Limited (''the Company'') and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises of five wholly-owned subsidiaries and one subsidiary controlled 95%. The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, short term reinsurance, short term insurance, stockbrocking, micro financing and other related financial services.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of ZWL$0.00001 each as at 31 December 2019. The issued and fully paid ordinary shares remained at 671 949 927 ordinary shares of ZWL$0.00001 with no movements during the year. The details of the authorized and issued share capital are set out in note 19 of the consolidated financial statements.

RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2019 was ZWL$1 007 640 735 (2018: ZWL$1 196 348 232) and ZWL$948 322 425 (2018:ZWL$178 373 052) inflation adjusted and historical basis respectively.

FINANCIAL STATEMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
The results reflected a profit before income tax for the year of	168 783 607	128 975 500	529 350 452	54 646 473
Income tax expense	(532 101 996)	(90 944 202)	(233 482 765)	(10 211 030)
(Loss)/profit for the year	**(363 318 389)**	**38 031 298**	**295 867 687**	**44 435 443**
Equity holders of the parent	(362 233 681)	38 617 370	295 598 000	44 416 204
Non-controlling interest	(1 084 708)	(586 072)	269 687	19 239
	(363 318 389)	**38 031 298**	**295 867 687**	**44 435 443**

DIRECTORS' INTERESTS

As at 31 December 2019, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' shareholding Number of shares	Direct holding	Indirect holding	Total
H. Nkala (Group Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	41 630 776	41 773 017
T. Kufazvinei (Executive Director)	35 114	14 394 970	14 430 084
W. Rusere (Executive Director)	5 000	9 639 519	9 644 519
C. Mtasa (Non-Executive Director)	10 000	-	10 000
	192 355	**66 075 604**	**66 267 959**

The other directors have no shareholding in the Company.

CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the regulatory authorities:

FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

Directors' Report (continued)

The capital position for these subsidiaries is detailed in the table below;

Company	Regulatory Authority	Minimum* capital required US$	Minimum capital required ZWL$	Discounted Capital ZWL$	Total Equity ZWL$
As at 31 December 2019					
FBC Bank Limited	RBZ	30 000 000	503 202 000	566 671 769	627 839 389
FBC Building Society	RBZ	20 000 000	335 468 000	142 572 121	145 411 819
FBC Reinsurance Limited	IPEC		150 000 000	95 676 460	95 676 460
FBC Securities (Private) Limited	SECZ		150 000	1 894 851	1 894 851
FBC Insurance Company (Private) Limited	IPEC		37 500 000	46 806 996	46 806 996
Microplan Financial Services (Private) Limited	RBZ		25 000	18 516 902	18 516 902
As at 31 December 2018					
FBC Bank Limited	RBZ		25 000 000	89 415 015	105 500 554
FBC Building Society	RBZ		20 000 000	49 278 852	53 637 435
FBC Reinsurance Limited	IPEC		10 000 000	15 834 029	15 834 029
FBC Securities (Private) Limited	SECZ		150 000	1 224 081	1 224 081
FBC Insurance Company (Private) Limited	IPEC		7 500 000	7 499 788	7 499 788
Microplan Financial Services (Private) Limited	RBZ		25 000	10 624 684	10 624 684

*Compliance required by 31 December 2020.

At 31 December 2019, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 32% and that of the building society was 59%, against the statutory minimum ratios of 12%. The respective capital adequacy ratios are determined as illustrated below.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
FBC Bank Limited capital adequacy ratio				
Ordinary share capital	159 327 144	159 327 144	18 502 313	18 502 313
Share premium	113 647 946	113 647 946	13 197 687	13 197 687
Retained profits	157 113 275	438 075 296	224 977 924	70 881 205
General reserve	-	-	-	-
Capital allocated for market and operational risk	(49 530 591)	(74 879 769)	(49 530 591)	(12 055 024)
Advances to insiders	(61 167 622)	(99 915 315)	(61 167 622)	(16 085 540)
Tier 1 Capital	**319 390 152**	**536 255 302**	**145 979 711**	**74 440 641**
Other reserves	223 316 671	-	371 161 467	2 919 350
General provisions	-	-	-	-
Tier 1 and 2 Capital	**542 706 823**	**536 255 302**	**517 141 178**	**77 359 991**
Tier 3 capital allocated for market and operational risk	49 530 591	74 879 769	49 530 591	12 055 024
	592 237 414	**611 135 071**	**566 671 769**	**89 415 015**
Risk weighted assets	**1 772 796 121**	**2 703 976 957**	**1 772 796 121**	**435 317 955**
Tier 1 ratio (%)	18%	20%	8%	17%
Tier 2 ratio (%)	13%	0%	21%	1%
Tier 3 ratio (%)	3%	3%	3%	3%
Capital adequacy ratio (%)	33%	23%	32%	21%
Minimum Statutory Capital adequacy ratio	12%	12%	12%	12%

Directors' Report (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
FBC Building Society capital adequacy ratio				
Share capital and share premium	97 018 954	97 018 954	11 266 599	11 266 599
Accumulated surplus	78 695 400	258 266 506	66 568 959	42 257 377
Capital allocated for market and operational risk	(19 152 661)	(20 187 136)	(3 667 382)	(2 436 774)
Advances to insiders	(2 839 697)	(27 073 341)	(2 839 697)	(4 358 584)
Tier 1 Capital	**153 721 996**	**308 024 983**	**71 328 479**	**46 728 618**
Non distributable reserves	-	-	-	-
Revaluation reserves	27 925 586	6 012 501	67 576 260	113 460
Tier 1 and 2 Capital	181 647 582	314 037 484	138 904 739	46 842 078
Tier 3 capital allocated for market and operational risk	19 152 661	20 187 136	3 667 382	2 436 774
	200 800 243	**334 224 620**	**142 572 121**	**49 278 852**
Risk weighted assets	**362 265 947**	**437 710 266**	**243 369 725**	**62 859 969**
Tier 1 ratio (%)	42%	70%	29%	74%
Tier 2 ratio (%)	8%	1%	28%	0%
Tier 3 ratio (%)	5%	5%	2%	4%
Capital adequacy ratio (%)	55%	76%	59%	78%
Minimum Statutory Capital adequacy ratio	12%	12%	12%	12%

DIVIDEND

The Board of Directors of FBC Holdings Limited declared a first interim dividend of 2.232 ZWL cents per share on 671 949 927 ordinary shares in issue on 28 August 2019. The first interim dividend amounted to ZWL$15 589 238 and was paid in full on or about 16 September 2019 to all shareholders who were registered in the books of the Company as at the close of business on Friday,the 13th of September 2019.

The Board declared a second interim dividend of 2.98 ZWL cents per share on 671 949 927 ordinary shares in issue on 12 December 2019. The second interim dividend amounted to ZWL$20 024 108 and was paid in full on or about 9 January 2020 to all the shareholders who were registered in the books of the Company as at the close of business on Friday, the 3rd of January 2020.

On 27 March 2020, the Board of Directors of FBC Holdings Limited resolved to make the second interim dividend declared on 12 December 2019 a final dividend due to the need to meet the capitalization requirements of Group subsidiary business units.

In total, the dividend declared for the financial year ended 31 December 2019 amounted to ZWL$35 613 346.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Group and Company financial statements in accordance with applicable laws and regulations. The Companies Act (Chapter 24:03) requires the directors to prepare Group and Company financial statements for each financial year. The Group and Company financial statements are required by law and International Financial Reporting Standards (IFRSs) to present a true and fair view of the financial position of the Group and the parent Company and the performance for that period; the Companies Act (Chapter24:03) provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and neutral;
- state whether they have been prepared in accordance with IFRSs; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Directors' Report (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at anytime the financial position of the Group and the Company and enable them to ensure that its financial statements comply with the applicable legislation. They have general responsibility for taking such steps as are reasonably open to them to safe guard the assets of the Group and to prevent and detect fraud and other irregularities. The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Compliance with Legislation

These financial statements, which have been prepared under the historical cost convention (except for fair value measurements where applicable), are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in note 2, and comply with the disclosure requirements of Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07) the Companies Act (Chapter24:03) and the relevant regulations made thereunder, and the relevant Statutory Instruments (SI) SI 62/96,SI 33/99 ,SI 33/19 and SI 142/19.

Compliance with IFRSs

The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise interpretations adopted by the International Accounting Standards Board (IASB), which includes standards adopted by the International Accounting Standards Board (IASB) and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs achieves consistency with the financial reporting framework adopted. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

While full compliance with IFRSs has been possible in previous reporting periods, we have not been able to comply with IFRS for 2018 and 2019. The IFRS Conceptual Framework, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of a company, for use in preparing financial statements.

IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe. In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in accounting treatment being adopted in the 2018 and 2019 financial statements, which is different from that which would have been adopted if the Group had been able to Independently apply the judgements and estimates provided for under IFRS. As such directors and management have been unable to produce financial statements which in their view would be true and fair and urge users of the financial statements to exercise due caution as some numbers may not be comparable due to prior year numbers not being translated.

Directors’ Report (continued)

Subsequent Events

The Group evaluated its December 31, 2019 consolidated financial statements for subsequent significant events in line with the requirements of International Financial Reporting Standards and International Accounting Standards. Due to the spread of the COVID19 pandemic, economic uncertainties have arisen which are likely to negatively impact the operations of the Group and subsequently profitability for the year 2020 and beyond in our estimation. The Group is exposed to the various economic sectors and the prospects of these sectors have been compromised due to the Covid-19 pandemic. For detailed information with regards to the likely impact of these developments please refer to note 43 in the financial statements.

Going Concern

The Board has satisfied itself that the Group and Company have adequate resources to continue in operation for the foreseeable future. The Group and company financial statements have accordingly been prepared on a going concern basis. The annual financial statements for the year ended 31 December 2019 set out on pages 60 to 169 were approved by the Board of Directors on 29 April 2020.

INDEPENDENT AUDITOR

Messrs. Deloitte & Touche will not continue in office due to the five year rotation requirement and shareholders will be asked to fix their remuneration for the past year and confirm the appointment of KPMG Chartered Accountants Zimbabwe as new auditors at the forthcoming Annual General Meeting.

By order of the Board

Tichaona K. Mabeza
SECRETARY

29 April 2020

Preparer of Financial Statements

These annual financial statements have been prepared under the supervision of Trynos Kufazvinei (Group Finance Director) and have been audited in terms of the Companies Act (Chapter 24:03) of Zimbabwe.

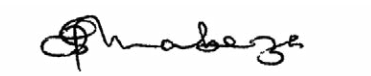
Trynos Kufazvinei CA(Z)

PAAB Number : 00293

Company Secretary's Certification

Tichaona K. Mabeza
SECRETARY

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of the Companies Act (Chapter 24:03) of the Republic of Zimbabwe, and that all such returns are true, correct and up to date.



Tichaona K. Mabeza
SECRETARY
29 April 2020

Board of Directors

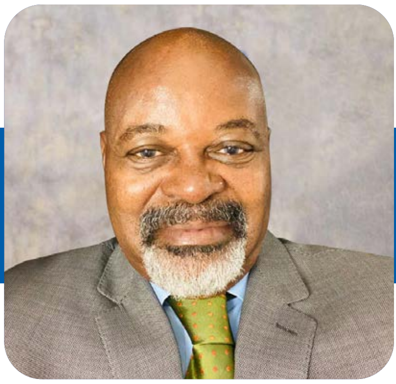
HERBERT NKALA
B.Sc. Hons, MBA
(CHAIRMAN)
Appointed to the FBC Holdings Limited Board in November 2002. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.

CHIPO MTASA
B.Acc (Hons), CA(Z)
(DEPUTY CHAIRPERSON)
Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.

JOHN MUSHAYAVANHU
AIBZ, DIP MANAGEMENT, MBA
(GROUP CHIEF EXECUTIVE)
John is an Associate of the Institute of Bankers in Zimbabwe (“AIBZ”), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom. A career banker, John has over 39 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is a former President of the Bankers Association of Zimbabwe (“BAZ”). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed Chief Executive of FBC Holdings on the 1st of June 2011.

GERTRUDE SIYAYI CHIKWAVA
MSc Strategic Management, AIBZ
(NON-EXECUTIVE DIRECTOR)
Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.

Board of Directors (continued)



AENESU CHUMA
Msc in Applied Economics
(NON-EXECUTIVE DIRECTOR)

Mr Chuma has in excess of 30 years diverse experience in development work with the United Nations in various countries and is a holder of an Msc in Applied Economics.

KLETO CHIKETSANI
Bachelor of Business Studies (Honours) (UZ), AIISA
(EXECUTIVE DIRECTOR)

Kleto has over 26 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is one of the founder members of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.

GARY COLLINS
PGD JMC
(NON EXECUTIVE DIRECTOR)

Gary is a deep subject matter expert on the nexus between digital innovation, leading edge technologies and core business value in banking and diversified financial services. He is Founder and Chief Executive Officer of Solveworx (Pty) Limited, Australia and holds a Post Graduate Diploma in Journalism and Media Studies.

FRANKLIN HUGH KENNEDY
Business Administration (Honours)
(NON EXECUTIVE DIRECTOR)

Franklin is currently the President of Equator Capital Partners LLC and is director of several other companies. He is a holder of a Bachelor of Business Administration (Honours) degree from the University of Western Ontario, Canada. He was appointed to the Board of FBC Holdings Limited on 18 December 2013.

Board of Directors (continued)

TRYNOS KUFAZVINEI
B Acc (Hons), CA(Z), MBA
(DEPUTY GROUP CHIEF EXECUTIVE)

Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from the University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 28 years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive of the FBC Group on the 1st of June 2011.

CANADA MALUNGA
B.Acc (Hons), CA(Z)
(NON EXECUTIVE DIRECTOR)

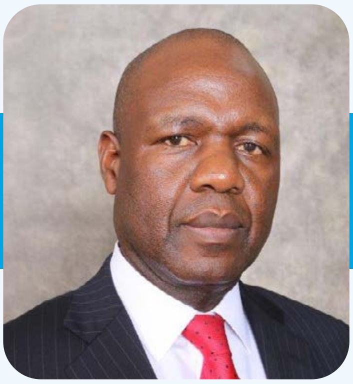
Canada, a Chartered Accountant (Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the Managing Director of Masimba Holdings Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

RUTENHURO MOYO
MSIO
(NON EXECUTIVE DIRECTOR)

Has a Masters in Industrial and Occupational Psychology and has post graduate qualifications in Business and Finance. Rute has wide experience and has held senior positions in international corporations such as Anglo – American, Old Mutual and Coca Cola Central Africa. He is director of several other companies.

CHARLES MSIPA
Bachelor of Law, LLB
(NON-EXECUTIVE DIRECTOR)

Mr Msipa is a lawyer by profession with years of experience at a senior level in various organizations, and is currently Group Managing Director of Schweppes Holdings Africa Limited.



WEBSTER RUSERE
AIBZ, MBA
(EXECUTIVE DIRECTOR)

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager. He was appointed Head of Retail Banking Division in 2004. He held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.

Corporate Governance

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees.

Guidelines issued by the Reserve Bank of Zimbabwe from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises of four executive directors and nine non-executive directors. The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

	Main Board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing and PR				Board Digitalisation and Innovations			
Board member	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Herbert Nkala	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chipo Mtasa	√	√	√	√	√	√	√	√	n/a	n/a	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	x	√	√	√	n/a	n/a	n/a	n/a
John Mushayavanhu	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	n/a	n/a	n/a	n/a	√	√	√	√	√	√	x	√
Kleto Chiketsani	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gertrude Chikwava	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a
Phillip Chiradza	√	√	n/a	n/a	√	√	n/a	n/a	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Felix Gwandekwande	√	√	x	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Franklin Kennedy	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Trynos Kufazvinei	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Canada Malunga	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	√	√	√	√
Godfrey Nhemachena	√	√	n/a	n/a	√	√	n/a	n/a	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	n/a	n/a	n/a	n/a	n/a	n/a
Webster Rusere	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rutenhuro Moyo	√	√	√	√	n/a	n/a	√	√	n/a	n/a	n/a	n/a	√	√	√	x	n/a	n/a	n/a	√	n/a	n/a	n/a	n/a	√	√	√	√
Aenesa Chuma	n/a	n/a	n/a	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	x	n/a	n/a	n/a	x	n/a	n/a	n/a	n/a
Charles Msipa	n/a	n/a	n/a	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gary Collins	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√

Key

√ - Attended
x - Apologies
n/a - not applicable
Q1 - Quarter 1
Q2 - Quarter 2
Q3 - Quarter 3
Q4 - Quarter 4

The Board meets regularly, with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant.

Corporate Governance (continued)

Board Finance and Strategy Committee
Members
C. Malunga (Chairman)
G. Chikwava
F. Kennedy
C. Mtasa
J. Mushayavanhu

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:
• The Group's financial statements, and accounting policies,
• The Group's strategy and budget,
• The Group's performance against agreed benchmarks and
• The adequacy of the Group's management information systems.

Board Human Resources and Remuneration Committee
Members
C. Mtasa (Chairperson)
C. Msipa
H. Nkala

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources.

The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance.

The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

Board Audit Committee
Members
C. Mtasa (Chairperson)
A. Chuma
C. Msipa
R. Moyo

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:
• Review compliance with statutory regulations,
• Review the effectiveness of internal controls,
• Review and approve the financial statements and
• Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

Board Risk and Compliance Committee
Members
R. Moyo (Chairman)
G. Chikwava
A. Chuma
F. Kennedy

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/ regulatory breaches and monitoring resolution of such any such breaches.

Board Credit Committee
Members
T. Mazoyo (Chairperson)
M. Nzwere
W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The Heads of Credit and Risk Management attend the committee meetings by invitation.

Board Loans Review Committee
Members
M. Ndoro (Chairperson)
T. Mutunhu
J Mushayavanhu

Corporate Governance (continued)

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only. Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Head of Credit and Risk and the Group Chief Executive.

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

Board Assets and Liabilities Committee

Members

M.Nzwere (Chairman)
Z. Makwanya
J. Mushayavanhu
T. Mutunhu
W. Rusere

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

Internal Controls

The Directors are responsible for the Group's internal control system, which incorporates procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:

i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.
ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.
iii) Detailed monthly management accounts with comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

Executive Committee

The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:
The Group Chief Executive
Deputy Group Chief Executive and Group Finance Director
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (FBC Insurance Company (Private) Limited)
Managing Director (Microplan Financial Services (Private) Limited)
Group Company Secretary
Divisional Director Human Resources

It meets monthly or more frequently if necessary and acts on behalf of the Board.

Internal Audit

The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

Risk Management and Control

Introduction and overview

Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

Corporate Governance (continued)

The most important risks that the Group is exposed to are listed below:

- Credit risk,
- Market risk,
- Liquidity risk,
- Reputational risk,
- Strategic risk,
- Operational risk and
- Compliance risk.

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities and the Group's manufacturing subsidiary.

Risk management framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committees for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society.

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.

In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:

- Group Risk Management,
- Group Internal Audit and
- Group Compliance.

Group Risk Management Division assumes a central role in oversight and management of all risks that the Group is exposed to in its various activities. The Head of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk within the Group. The Head of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Group Risk and Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Board Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed in note 34 under Financial Risk Management.

Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

Group's approach to managing operational risk

The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

Operational risk framework and governance

The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Subsidiaries have board committees responsible for ensuring robust operational risk management frameworks. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

The management and measurement of operational risk

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It

Corporate Governance (continued)

ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the appropriate risk committees which include the Group Risk and Compliance Committee and Group New Product Committee.

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators ("KRIs") which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management

To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Management Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy. The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in financial services activities. These rules are those which arise from the Group's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

Statement of Compliance

The Group complied with the following statutes inter alia:-

The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23) and The Companies Act (Chapter - 24:03), the relevant Statutory Instruments ("SI") SI 33/99, SI 33/19 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01) and the Value Added Tax Act (Chapter 23:12).

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

International credit ratings

All banking and insurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating. The micro lending unit's rating is also reviewd annually by Microfinanza rating agency. The ratings are as illustrated below;

Subsidiary	2019	2018	2017	2016	2015	2014	2013	2012	2011
FBC Bank Limited	BBB+	BBB+	BBB+	BBB+	A-	A-	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-	A-	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
FBC Insurance Company Limited	A-	A-	A-	A-	A-	BBB	BBB-	BB+	BB
Microplan Financial Services Limited	BBB	BBB	BBB	BBB-	N/A	N/A	N/A	N/A	N/A

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Group Company Secretary)

Group Financial Statements

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FBC HOLDINGS LIMITED

Report on the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements

Adverse opinion

We have audited the inflation adjusted financial statements of FBC Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 173, which comprise the inflation adjusted consolidated and separate statement of financial position as at 31 December 2019, and the inflation adjusted consolidated and separate statement of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statement of changes in equity and the inflation adjusted consolidated and separate statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for adverse opinion

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

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

- The Group transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.
- In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Independent Auditor's Report (continued)

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

The Directors had not re-assessed the change in functional currency for the year ended 31 December 2018. Because the Group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in material misstatement to the financial performance and cash flows of the Group, as transactions denominated in USD were not appropriately translated during that period. An adverse opinion was issued on the financial statements for the year ended 31 December 2018.

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

Furthermore, our opinion on the current year's inflation adjusted consolidated and separate statement financial position is modified because of the possible effects of the matter on the comparability of the current year's inflation adjusted consolidated and separate financial position with that of the prior year.

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

Emphasis of matter

We draw attention to Note 43 of the inflation adjusted consolidated financial statements which describes the uncertainties related to the possible effects of the COVID-19 outbreak on the Group and its inability to quantify the possible impact. Our opinion is not modified in respect of this matter.

Key audit matters

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

Independent Auditor’s Report (continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">1. Valuation of expected credit losses (ECL) on financial assets</td></tr>
<tr><td>The impairment allowances reflected in the statement of financial position as at 31 December 2019 and determined in accordance with International Financial Reporting Standard 9- “Financial Instruments” (IFRS 9) amounts to ZWL 48 140 582.

This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment.

The key areas where we identified greater levels of Director’s judgement and therefore increased levels of audit focus in the Group’s implementation of IFRS 9 included:
• The measurement of modelled provisions, which is dependent on key assumptions relating to probability of default (the chance that the borrowers will fail to meet their contractual obligations in the future), loss given default (an estimate of the loss from a transaction given that default has occurred) and expected recoveries discounted to present value;
• The identification of exposures with a significant deterioration in credit quality; and
• Assumptions used in the expected credit loss model including forward looking information.

Notes 2.5.3 and 3.1 to the inflation adjusted consolidated financial statements includes details on the accounting policies around the expected credit losses. Notes 5 and 34.1 further provide detailed information around the determination of the expected credit losses.</td><td>• Obtained an understanding of the business process around the impairment of financial assets and evaluated the design and implementation of the relevant controls within that business process, as well as tested the operating effectiveness of certain of those controls;
• Performed grading tests on a sample of loans to determine accuracy of their staging;
• Performed an assessment of the accuracy of the collateral values;
• Evaluated the competence, objectivity and independence of the experts engaged by management to continuously enhance the Group’s credit loss model as well as perform validation thereof; and
• Reviewed the disclosures of the ECL balance to ensure adequacy of these was in line with the requirements of IFRS 7- “Financial Instruments: Disclosures”.

Using the assistance of an auditor’s specialist, we performed the following procedures:
• Performed a review of the Group’s ECL methodology to determine that this was in line with IFRS 9;
• Reviewed and assessed the reasonability and accuracy of the forward-looking information incorporated into the model;
• Performed completeness and accuracy tests on the balances of financial assets being subjected to the model to compute the ECL as well as those whose ECL was following the simplified approach ;
• Performed assessment of the methods used to determine the probability of default (PD), exposure at default (EAD) and loss given default (LGD) rates; and
• Inspected the ECL model to evaluate whether the ECL amount was being computed following the established methods and using the appropriate parameters as assessed above.</td></tr>
<tr><td colspan="2">2. Valuation of Incurred But not Reported (IBNR) claims provision</td></tr>
<tr><td>As disclosed in Notes 2.8 and 3.3 of the inflation adjusted consolidated financial statements, the determination of the IBNR claims provision is an area of key judgement due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date.

Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for.

The claims provision as at 31 December 2019 was ZWL10 901 263 (2018: ZWL2 145 471) as further disclosed in Note 16 of the inflation adjusted consolidated financial statements.</td><td>• We established the assumptions around the determination of the provision made in the current and prior year, and assessed these for consistency and reasonableness;
• We compared the prior year provision against the results of current year claims reported that related to the prior financial period to assess the prior year provision for reasonableness or bias;
• We assessed the accuracy of the provision raised at the end of the current year to confirm management’s processes in preparing the provision;
• We engaged our own internal actuarial specialist to interrogate the methodology and assumptions of the Group’s actuary used in the IBNR assessment;
• We assessed the completeness and accuracy of the amounts used in the computation of the IBNR claim provision;
• We reviewed the disclosures in the financial statements, paying particular attention to the disclosure of the assumptions used and judgements made computing the claims provision; and
• We reviewed the disclosures regarding the sensitivity of the IBNR claims provision and the related factors that influence this.</td></tr>
</table>

Independent Auditor's Report (continued)

Key Audit Matter	How the matter was addressed in the audit
3. Valuation of the derivative resulting from legacy debt	
As disclosed in Note 10 of the inflation adjusted consolidated financial statements, the Group recognized a derivative of ZWL 222 079 816 following the registration, approval and agreement of the nature of settlement to be made by the Reserve Bank of Zimbabwe (RBZ) for the legacy debt held by the Group. This was following the separation of the RTGS$ and foreign currency balances. The fair value of the derivative was determined as the present value of expected cash flows discounted at a rate. Given the materiality of the balance and the judgment applied in determining the timing of the cash flows and the discount rate applied in determining the fair value, we have determined this to be a key audit matter. The accounting policies for the derivative are disclosed in Note 2.21 of the inflation adjusted financial statements.	• We evaluated the relevant controls designed and implemented by the Directors' to conclude on the valuation of the derivative; • We obtained an understanding of the registration process and reviewed the approvals and other letters from the Reserve Bank of Zimbabwe; • We assessed the appropriateness of the classification in accordance with accounting standards; • With the assistance of our internal valuation specialists, we assessed the reasonableness and appropriateness of the key inputs; • We assessed the cash flow forecasts used in the valuation for reasonableness; and • We tested the mathematical accuracy of valuation models by re-performing calculations. • We have reviewed the disclosure of the Group's accounting policies with regards to the legacy debt derivatives, as well as the separate disclosure of these specific legacy debt assets.
4. Valuation of investment property and property and equipment.	

As set out in notes 2.1.1.2 and 2.10 to the inflation adjusted financial statements, the Group has non-monetary assets (investment property and property and equipment) which are recognised at fair value.
 	
Directors make use of independent external valuers in determining the fair values of properties. Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as:
• Market rentals
• Risk yields
 	
The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting the Zimbabwean market.
 	
We identified the valuation of investment property and property and equipment as a key audit matter due to the significance of the balance to the inflation adjusted consolidated financial statements as a whole, combined with the level of judgement associated with determining the fair values.
	• We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications;
	• We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted;
	• We assessed the work performed by the independent external valuers in valuing non-monetary assets by performing the following:
	  • Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements;
	  • Interrogated the external valuers as to their assessments around the future prospects of the property market, including future rental patterns and expected activity trends;
	  • Assessed the reasonability of the methods used in valuing the intangible assets; and
	  • We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert were consistent with the actual physical condition.
	• Evaluated the inflation adjusted consolidated financial statement disclosures for appropriateness and adequacy.

Other Information

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

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

As described in the Basis for Adverse Opinion section above, the Group changed its functional currency to the RTGS Dollar effective 22 February 2019. The date of change in functional currency as determined in accordance with IFRS is 1 October

Independent Auditor’s Report (continued)

2018. Consequently the measurement of transactions between 1 October 2018 and 22 February 2019 does not comply with the requirements of IAS 21 and as such, transactions have not been appropriately translated in accordance with these Standards. We have determined that the other information is misstated for that reason.

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

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

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

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

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

Independent Auditor's Report (continued)

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

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Tumai Mafunga
Partner
PAAB Practice Certificate Number 0042

30 April 2020

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	INFLATION ADJUSTED		HISTORICAL COST *	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
ASSETS					
Balances with banks and cash	4	1 907 906 680	1 190 946 201	1 907 906 680	192 209 582
Financial assets at amortised cost	5.5	190 730 266	1 157 734 027	190 730 266	186 068 296
Loans and advances to customers	5.1	2 560 944 198	2 522 176 904	2 560 920 299	405 508 331
Trade and other receivables including insurance receivables	5.2	103 370 140	80 365 131	104 144 323	12 942 578
Bonds and debentures	6	121 510 634	1 397 747 294	121 510 634	225 565 873
Financial assets at fair value through profit or loss	7	54 932 609	80 823 911	57 760 631	9 049 902
Financial assets at fair value through other comprehensive income	8	14 869 971	12 824 894	14 869 971	2 064 702
Inventory	9	65 962 780	68 084 741	13 525 576	8 461 294
Prepayments and other assets	10	360 690 712	122 650 767	318 540 053	21 000 608
Current income tax asset		40 041	915 081	40 041	147 326
Deferred income tax asset	18.3	512 446	27 602 682	59 509	5 189 191
Investment property	11	154 282 658	54 897 226	154 282 658	8 838 000
Intangible assets	12	200 448 102	17 264 142	200 426 701	2 056 337
Property and equipment	13	458 243 138	298 083 719	458 243 138	34 874 699
Right of use asset	29.3	22 356 696	-	7 865 553	-
Total assets		**6 216 801 071**	**7 032 116 720**	**6 110 826 033**	**1 113 976 719**
EQUITY AND LIABILITIES					
Liabilities					
Deposits from customers	14.1	2 024 874 514	3 900 198 617	2 024 874 514	627 899 762
Deposits from other banks	14.2	195 140 989	875 034 804	195 140 989	140 873 376
Borrowings	15	1 722 331 786	648 483 580	1 722 331 786	104 400 500
Insurance liabilities	16	100 632 018	96 567 469	51 333 232	13 921 902
Trade and other payables	17	880 058 825	298 226 697	865 030 059	46 742 668
Current income tax liability		3 717 891	3 996 648	3 405 985	643 429
Deferred income tax liability	18.3	272 768 912	11 095 464	290 265 625	783 115
Lease liability	29.3	7 974 372	-	7 974 372	-
Total liabilities		**5 207 499 307**	**5 833 603 279**	**5 160 356 562**	**935 264 752**
Equity					
Capital and reserves attributable to equity holders of the parent entity					
Share capital and share premium	19.3	121 330 899	121 330 899	14 089 892	14 089 892
Other reserves	20	515 098 905	289 166 263	530 725 056	35 396 838
Retained profits		371 210 931	785 851 070	403 507 476	128 886 322
		1 007 640 735	**1 196 348 232**	**948 322 424**	**178 373 052**
Non controlling interest in equity		1 661 029	2 165 209	2 147 047	338 915
Total equity		**1 009 301 764**	**1 198 513 441**	**950 469 471**	**178 711 967**
Total equity and liabilities		**6 216 801 071**	**7 032 116 720**	**6 110 826 033**	**1 113 976 719**

The consolidated financial statements on pages 60 to 163 were authorised for issue by the board of directors on 29 April 2020 and were signed on its behalf.

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historic financial information.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST *	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Note	ZWL$	ZWL$	ZWL$	ZWL$
Interest and related income	21	528 516 869	696 261 744	224 505 240	85 310 382
Interest and related expense	21.1	(212 750 132)	(161 379 945)	(93 158 365)	(20 111 730)
Net interest related income		**315 766 737**	**534 881 799**	**131 346 875**	**65 198 652**
Fee and commission income	22	309 644 060	346 755 837	149 146 686	43 159 361
Fee and commission expense	22.1	(2 029 077)	(2 903 873)	(781 832)	(358 716)
Net fee and commission income		**307 614 983**	**343 851 964**	**148 364 854**	**42 800 645**
Revenue from property sales	23	31 851 496	76 375 696	16 586 687	10 839 739
Cost of property sales	23.1	(12 458 749)	(59 133 593)	(3 073 238)	(8 350 999)
Net income from property sales		**19 392 747**	**17 242 103**	**13 513 449**	**2 488 740**
Insurance premium revenue	24	341 888 833	270 237 933	154 585 095	35 036 452
Premium ceded to reinsurers and retrocessionaires		(144 393 280)	(99 703 813)	(73 683 897)	(13 357 206)
Net earned insurance premium		**197 495 553**	**170 534 120**	**80 901 198**	**21 679 246**
Net foreign currency dealing and trading income		429 509 942	11 837 260	416 365 612	1 464 471
Net gain from financial assets at fair value through profit or loss	25	72 709 084	19 596 042	72 709 084	3 139 229
Other operating income	26	255 931 118	64 870 669	196 626 084	9 153 805
Total other income		**758 150 144**	**96 303 971**	**685 700 780**	**13 757 505**
Total net income		**1 598 420 164**	**1 162 813 957**	**1 059 827 156**	**145 924 788**
Impairment allowance	5.4	(33 816 186)	(15 610 497)	(33 816 186)	(2 513 421)
Net insurance commission expense	27	(35 895 682)	(30 336 586)	(11 750 036)	(3 806 204)
Insurance claims and loss adjustment expenses	28	(83 767 667)	(87 663 428)	(52 674 803)	(11 656 355)
Administrative expenses	29	(867 285 789)	(583 702 414)	(432 235 679)	(73 302 335)
Monetary loss		(408 871 233)	(316 525 532)	-	-
Profit before income tax		**168 783 607**	**128 975 500**	**529 350 452**	**54 646 473**
Income tax expense	30.1	(532 101 996)	(90 944 202)	(233 482 765)	(10 211 030)
(Loss)/profit for the year		**(363 318 389)**	**38 031 298**	**295 867 687**	**44 435 443**

Consolidated Statement of Profit or Loss and other Comprehensive Income (continued)
For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST *	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Other comprehensive income	**Note**	ZWL$	ZWL$	ZWL$	ZWL$
Items that will not be reclassified to profit or loss					
Gains on property and equipment and intangible assets revaluation		334 398 960	-	604 352 529	-
Tax		(68 530 585)	-	(98 119 717)	-
		265 868 375	**-**	**506 232 812**	**-**
Items that may be subsequently reclassified to profit or loss					
Gain on financial assets at fair value through other comprehensive income		1 805 744	7 633 882	1 805 744	1 228 993
Tax		(18 057)	(76 339)	(18 057)	(12 290)
		1 787 687	**7 557 543**	**1 787 687**	**1 216 703**
Total other comprehensive income, net income tax		**267 656 062**	**7 557 543**	**508 020 499**	**1 216 703**
Total comprehensive (loss)/income for the year		**(95 662 327)**	**45 588 841**	**803 888 186**	**45 652 146**
(Loss)/profit attributable to:					
Equity holders of the parent		(362 233 681)	38 617 370	295 598 000	44 416 204
Non - controlling interest		(1 084 708)	(586 072)	269 687	19 239
(Loss)/profit for the year		**(363 318 389)**	**38 031 298**	**295 867 687**	**44 435 443**
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent		(95 233 358)	46 174 913	802 025 118	45 632 907
Non - controlling interest		(428 969)	(586 072)	1 863 068	19 239
Total comprehensive (loss)/income for the year		**(95 662 327)**	**45 588 841**	**803 888 186**	**45 652 146**
(Loss)/earnings per share (ZWL cents)					
Basic (loss)/earnings per share	33.1	(58.67)	6.04	47.88	6.95
Diluted (loss)/earnings per share	33.2	(58.67)	6.04	47.88	6.95
Headline (loss)/earnings per share	33.3	(59.11)	6.00	47.88	6.95

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Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

INFLATION ADJUSTED

	Share capital ZWL$	Share premium ZWL$	Retained profits ZWL$	Treasury shares ZWL$	Non distributable reserve ZWL$	Revaluation reserve ZWL$	Finacial assets at fair value reserve ZWL$	Regulatory reserve ZWL$	Changes in ownership ZWL$	Total ZWL$	Non controlling interest ZWL$	Total equity ZWL$
Balance as at 1 January 2018, as previously reported	**57 859**	**121 273 040**	**786 429 417**	**(21 539 577)**	**315 381 903**	**27 243 542**	**(1 296 020)**	**-**	**14 386 485**	**1 241 936 649**	**2 863 638**	**1 244 800 287**
Changes on initial application of IFRS 15	-	-	(4 975 665)	-	-	-	-	-	-	(4 975 665)	-	(4 975 665)
Changes on initial application of IFRS 9	-	-	8 380 573	-	-	-	-	-	-	8 380 573	(2 289)	8 378 284
Balance as at 1 January 2018	**57 859**	**121 273 040**	**789 834 325**	**(21 539 577)**	**315 381 903**	**27 243 542**	**(1 296 020)**	**-**	**14 386 485**	**1 245 341 557**	**2 861 349**	**1 248 202 906**
Profit for the year	-	-	38 617 370	-	-	-	-	-	-	38 617 370	(586 072)	38 031 298
Other comprehensive income;												
Transfer to and from Regulatory Reserves	-	-	(6 012 501)	-	-	-	-	6 012 501	-	-	-	-
Recycled opening revaluation reserve	-	-	27 243 542	-	-	(27 243 542)	-	-	-	-	-	-
Gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	7 557 543	-	-	7 557 543	-	7 557 543
Total other comprehensive income	**-**	**-**	**21 231 041**	**-**	**-**	**(27 243 542)**	**7 557 543**	**6 012 501**	**-**	**7 557 543**	**-**	**7 557 543**
Total comprehensive income	**-**	**-**	**59 848 411**	**-**	**-**	**(27 243 542)**	**7 557 543**	**6 012 501**	**-**	**46 174 913**	**(586 072)**	**45 588 841**
Transaction with owners:												
Dividend declared and paid	-	-	(63 831 666)	-	-	-	-	-	-	(63 831 666)	(110 068)	(63 941 734)
Treasury share purchase	-	-	-	(31 336 572)	-	-	-	-	-	(31 336 572)	-	(31 336 572)
Total transactions with owners recognised directly in equity	**-**	**-**	**(63 831 666)**	**(31 336 572)**	**-**	**-**	**-**	**-**	**-**	**(95 168 238)**	**(110 068)**	**(95 278 306)**
Balance as at 31 December 2018	**57 859**	**121 273 040**	**785 851 070**	**(52 876 149)**	**315 381 903**	**-**	**6 261 523**	**6 012 501**	**14 386 485**	**1 196 348 232**	**2 165 209**	**1 198 513 441**
Balance as at 1 January 2019, restated	**57 859**	**121 273 040**	**785 851 070**	**(52 876 149)**	**315 381 903**	**-**	**6 261 523**	**6 012 501**	**14 386 485**	**1 196 348 232**	**2 165 209**	**1 198 513 441**
Loss for the year	-	-	(362 233 681)	-	-	-	-	-	-	(362 233 681)	(1 084 708)	(363 318 389)
Other comprehensive income												
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	265 212 636	-	-	-	265 212 636	655 739	265 868 375
Net transfer to and from regulatory reserves	-	-	6 012 501	-	-	-	-	(6 012 501)	-	-	-	-
Gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1 787 687	-	-	1 787 687	-	1 787 687
Total other comprehensive income	**-**	**-**	**6 012 501**	**-**	**-**	**265 212 636**	**1 787 687**	**(6 012 501)**	**-**	**267 000 323**	**655 739**	**267 656 062**
Total comprehensive income	**-**	**-**	**(356 221 180)**	**-**	**-**	**265 212 636**	**1 787 687**	**(6 012 501)**	**-**	**(95 233 358)**	**(428 969)**	**(95 662 327)**
Transaction with owners:												
Dividend declared and paid	-	-	(58 418 959)	-	-	-	-	-	-	(58 418 959)	(75 211)	(58 494 170)
Treasury share purchase	-	-	-	(35 055 180)	-	-	-	-	-	(35 055 180)	-	(35 055 180)
Total transactions with owners recognised directly in equity	**-**	**-**	**(58 418 959)**	**(35 055 180)**	**-**	**-**	**-**	**-**	**-**	**(93 474 139)**	**(75 211)**	**(93 549 350)**
Balance as at 31 December 2019	**57 859**	**121 273 040**	**371 210 931**	**(87 931 329)**	**315 381 903**	**265 212 636**	**8 049 210**	**-**	**14 386 485**	**1 007 640 735**	**1 661 029**	**1 009 301 764**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

HISTORICAL COST *	Share capital ZWL$	Share premium ZWL$	Retained profits ZWL$	Treasury shares ZWL$	Non distributable reserve ZWL$	Revaluation reserve ZWL$	Available for sale reserve ZWL$	Regulatory reserve ZWL$	Changes in ownership ZWL$	Total ZWL$	Non controlling interest ZWL$	Total equity ZWL$
Balance as at 1 January 2018, as previously reported	**6 719**	**14 083 173**	**91 326 329**	**(2 501 344)**	**36 624 611**	**3 163 733**	**(150 504)**	**-**	**1 670 671**	**144 223 388**	**332 548**	**144 555 936**
Changes on initial application of IFRS 15	-	-	(801 041)	-	-	-	-	-	-	(801 041)	-	(801 041)
Changes on initial application of IFRS 9	-	-	1 357 462	-	-	-	-	-	-	1 357 462	(368)	1 357 094
Balance as at 1 January 2018	**6 719**	**14 083 173**	**91 882 750**	**(2 501 344)**	**36 624 611**	**3 163 733**	**(150 504)**	**-**	**1 670 671**	**144 779 809**	**332 180**	**145 111 989**
Profit for the year	-	-	44 416 204	-	-	-	-	-	-	44 416 204	19 239	44 435 443
Other comprehensive income;												
Gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1 216 703	-	-	1 216 703	-	1 216 703
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1 216 703**	**-**	**-**	**1 216 703**	**-**	**1 216 703**
Total comprehensive income	**-**	**-**	**44 416 204**	**-**	**-**	**-**	**1 216 703**	**-**	**-**	**45 632 907**	**19 239**	**45 652 146**
Transaction with owners:												
Dividend declared and paid	-	-	(7 412 632)	-	-	-	-	-	-	(7 412 632)	(12 504)	(7 425 136)
Treasury share purchase	-	-	-	(4 627 032)	-	-	-	-	-	(4 627 032)	-	(4 627 032)
Total transactions with owners recognised directly in equity	**-**	**-**	**(7 412 632)**	**(4 627 032)**	**-**	**-**	**-**	**-**	**-**	**(12 039 664)**	**(12 504)**	**(12 052 168)**
Balance as at 31 December 2018	**6 719**	**14 083 173**	**128 886 322**	**(7 128 376)**	**36 624 611**	**3 163 733**	**1 066 199**	**-**	**1 670 671**	**178 373 052**	**338 915**	**178 711 967**
Balance as at 1 January 2019, as previously reported	**6 719**	**14 083 173**	**128 886 322**	**(7 128 376)**	**36 624 611**	**3 163 733**	**1 066 199**	**-**	**1 670 671**	**178 373 052**	**338 915**	**178 711 967**
Balance as at 1 January 2019, restated	**6 719**	**14 083 173**	**128 886 322**	**(7 128 376)**	**36 624 611**	**3 163 733**	**1 066 199**	**-**	**1 670 671**	**178 373 052**	**338 915**	**178 711 967**
Profit for the year	-	-	295 598 000	-	-	-	-	-	-	295 598 000	269 687	295 867 687
Other comprehensive income												
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	504 639 431	-	-	-	504 639 431	1 593 381	506 232 812
Gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1 787 687	-	-	1 787 687	-	1 787 687
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**504 639 431**	**1 787 687**	**-**	**-**	**506 427 118**	**1 593 381**	**508 020 499**
Total comprehensive income	**-**	**-**	**295 598 000**	**-**	**-**	**504 639 431**	**1 787 687**	**-**	**-**	**802 025 118**	**1 863 068**	**803 888 186**
Transaction with owners:												
Dividend declared and paid	-	-	(20 976 846)	-	-	-	-	-	-	(20 976 846)	(54 936)	(21 031 782)
Treasury share purchase	-	-	-	(11 098 900)	-	-	-	-	-	(11 098 900)	-	(11 098 900)
Total transactions with owners recognised directly in equity	**-**	**-**	**(20 976 846)**	**(11 098 900)**	**-**	**-**	**-**	**-**	**-**	**(32 075 746)**	**(54 936)**	**(32 130 682)**
Balance as at 31 December 2019	**6 719**	**14 083 173**	**403 507 476**	**(18 227 276)**	**36 624 611**	**507 803 164**	**2 853 886**	**-**	**1 670 671**	**948 322 424**	**2 147 047**	**950 469 471**

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historic financial information.

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	INFLATION ADJUSTED 31 Dec 2019 ZWL$	INFLATION ADJUSTED 31 Dec 2018 ZWL$	HISTORICAL COST * 31 Dec 2019 ZWL$	HISTORICAL COST * 31 Dec 2018 ZWL$
Cash flow from operating activities					
Profit before income tax		168 783 607	128 975 500	529 350 452	54 646 473
Adjustments for non cash items:					
Depreciation	13	25 988 152	21 092 412	3 976 392	2 807 016
Amortisation charge	12	5 687 746	3 143 496	852 523	574 935
Credit impairment losses	5.4	33 816 186	15 610 497	33 816 186	2 513 421
Net unrealised exchange gains and losses		611 938 435	-	(386 798 184)	-
Fair value adjustment on investment property	11	(86 025 134)	897 511	(143 905 214)	(45 970)
Fair value adjustment on financial assets at fair value through profit or loss	25	(72 709 084)	(19 596 042)	(72 709 084)	(3 139 229)
Profit on disposal of property and equipment	26	(2 693 509)	(305 917)	(35 901)	(39 689)
Net cash generated/(used) before changes in operating assets and liabilities		**684 786 399**	**149 817 457**	**(35 452 830)**	**57 316 957**
Decrease/(increase) in financial assets at armortised cost		967 003 761	(185 711 744)	(4 661 970)	(73 189 473)
Decrease/(increase) in loans and advances		1 222 089 691	55 406 538	(357 320 454)	(105 917 853)
(Increase)/decrease in trade and other receivables		(23 005 009)	2 643 923	(91 201 745)	(3 302 918)
Decrease/(increase) in bonds and debentures		1 276 236 660	(1 159 787 808)	104 055 239	(197 932 158)
Decrease/(increase) in financial assets at fair value through profit or loss		98 600 386	(40 859 579)	23 998 355	(3 545 348)
(Increase)/decrease in available for sale financial assets		(239 333)	-	(10 999 526)	-
Decrease/(increase) in inventory		2 121 961	(11 905 805)	(5 064 282)	(2 738 398)
(Increase)/decrease in prepayments and other assets		(27 804 145)	81 299 546	(86 812 360)	2 683 696
(Increase)/decrease in investment property		(13 360 298)	14 682 780	(1 539 444)	(607 630)
Increase in right of use asset		(22 356 696)	-	(7 865 553)	-
(Decrease)/increase in deposits from customers		(2 694 837 871)	277 690 605	577 460 983	207 225 825
(Decrease)/increase in deposits from other banks		(679 893 815)	110 963 701	54 267 613	52 143 469
Increase in insurance liabilities		4 064 549	30 426 002	37 411 330	6 241 038
Increase/(decrease) in trade and other payables		352 009 389	(5 844 970)	588 464 652	11 431 490
Increase in lease liabilities		7 974 372	-	7 974 372	-
		1 153 390 001	**(681 179 354)**	**792 714 380**	**(50 191 303)**
Income tax paid		(306 452 414)	(34 962 197)	(35 635 222)	(6 796 032)
Net cash generated from/(used in) operating activities		**846 937 587**	**(716 141 551)**	**757 079 158**	**(56 987 335)**
Cash flows from investing activities					
Purchases of intangible assets	12	(8 591 739)	(4 243 285)	(5 270 623)	(780 136)
Purchase of property and equipment	13	(39 120 803)	(75 561 685)	(17 935 021)	(8 838 267)
Proceeds from sale of property and equipment		2 985 497	597 905	69 810	45 432
Net cash used in investing activities		**(44 727 045)**	**(79 207 065)**	**(23 135 834)**	**(9 572 971)**
Cash flows from financing activities					
Proceeds from borrowings		-	533 489 841	-	97 514 129
Repayment of borrowings		(8 218 260)	(10 566 266)	(1 369 710)	(7 694 638)
Dividend paid to company's shareholders		(58 418 959)	(63 831 666)	(20 976 846)	(7 412 632)
Dividends paid to non-controlling interests		(75 211)	(110 068)	(54 936)	(12 504)
Purchase of treasury shares		(35 055 180)	(31 336 572)	(11 098 900)	(4 627 032)
Net cash (used in)/generated from financing activities		**(101 767 610)**	**427 645 269**	**(33 500 392)**	**77 767 323**
Net increase/(decrease) in cash and cash equivalents		**700 442 932**	**(367 703 347)**	**700 442 932**	**11 207 017**
Cash and cash equivalents at beginning of the year		1 190 946 201	1 558 649 548	192 209 582	181 002 565
Effects of changes in exchange rates		16 517 547	-	1 015 254 166	-
Cash and cash equivalents at the end of year	4.2	**1 907 906 680**	**1 190 946 201**	**1 907 906 680**	**192 209 582**

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historic financial information.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage financing, micro lending, reinsurance, short-term insurance, and stockbrocking services.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe.

These consolidated financial statements were approved for issue by the Board of Directors on 27 March 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented with the exception of the adoption of IFRS 16 Leases.

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and International Financial Reporting Standards Interpretations Committee, ("IFRIC") interpretations, Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07) and in the manner required by the Zimbabwe Companies Act, (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 62/96, SI 33/99, SI 142/19 and SI 33/19 with the exception of IAS 21 The Effects of Changes in Foreign Exchange rates. The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment property, intangible assets and property and equipment.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Adoption of the IAS 29 (Financial Reporting in Hyperinflation Economies)

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflation economies had become effective in Zimbabwe, for reporting periods on or after 1 July 2019. These financial statements have been prepared in accordance with IAS 29 together with International Financial Reporting Standards Committee (IFRIC) 7. (Applying Restated Approach under IAS 29), as if the economy had been hyperinflationary from 1 October 2018.

The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate the transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried in the financial statements have been restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognized in the statement of profit or loss for the year ended 31 December 2019 and the comparative period. Comparative amounts in the Group financial statements have been restated to reflect the change in the general price index from 1 October 2018 to the end of the reporting period. All items in the statement of cash flows are expressed based on the restated financial information for the period.

As noted above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical figures.

The factors used in the periods under review are as follows:

Period	Indices	Conversion Factors at 31 December 2019
CPI as at 30 September 2018	64.06	8.6112
CPI as at 31 December 2018	88.81	6.2115
CPI as at 31 December 2019	551.63	1

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

The inflation adjusted figures forms the primary set of financial statements and the unadjusted historical figures are supplimentary information.

IAS 21 (The Effects of Changes in Foreign Exchange Rates)
The Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as the legal tender and prescribed for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be in Zimbabwean Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) notes the requirements of SI 33 were contrary of the provisions of IAS 21. The Directors have always ensured compliance with IFRS but were unable to do so due to the conflict between IAS 21 and local statutory instruments. In respect of the current financial year financial information and as a result of the absence of an observable foreign exchange market, the Group continues to be unable to meet the requirements of IAS 21. Due to the material and the pervasive impact of the technicalities, the Directors would like to advise users to exercise caution in their use of these inflation adjusted financial statements.

2.1.1 Changes in accounting policy and disclosures

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

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

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

Impact on initial application of IFRS 16-Leases
In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group applied IFRS 16 Leases from I January 2019. The Group used the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordinlgy the comparative information presented for 2018 is not restated, it is presented , as previously reported under IAS 17 Leases and related interpretations. The details of the changes in accounting policy are disclosed below.

Additionally the disclosure requirements in IFRS 16 have generally not been applied to comparative information.

(a) Impact of the new definition of a lease
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019.

(b) Impact on Lessee Accounting
(i) Former operating leases
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right of use asset adjusted by the amount of any prepaid or accrued lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less and leases of low-value), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

d) Financial impact of the initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 12%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

Impact on retained earnings as at 1 January 2019	ZWL$
Operating lease commitments at 31 December 2018	**6 804 182**
Short-term leases and leases of low-value assets	168 776
Effect of discounting the above amounts	1 533 690
Finance lease liabilities recognised under IAS 17 at 31 December 2018	-
Present value of the variable lease payments that depend on a rate or index	-
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	-
Lease liabilities recognised at 1 January 2019	**1 533 690**

The Group has recognised ZWL $1 533 690 of right-of-use assets and ZWL $1 533 690 of lease liabilities upon transition to IFRS 16. No difference arose and none is recognised in retained earnings.

2.1.1.2 Adoption of alternative accounting policy under an existing IFRS

IAS 16- Property, plant and equipment

IAS 16 presents two accounting policy choices in terms of how measurement after initial recognition of an asset can be done. The two choices are:
- Cost model
- Revaluation model

Under the cost model, after initial recognition, an item of property,plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, an item of property, plant and equipment, whose fair value can be measured reliably, is carried at revalued amount, being its fair value at the date of revaluation less any subsequent accoumulated depreciation and any subsequent accumulated impairment losses.

The revaluations will be required to be done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The Group accounting policy on property and equipment has previously been as follows:
- land and buildings were subsequently measured using the revaluation model;
- all other property and equipment were measured using the cost model.

The Group has changed its accounting policy on the measurement after initial recognition for all other property and equipment that were previously measured using the cost model. The Group has with effect from 31 December 2019 adopted the revaluation model on this category of assets. This change in accounting policy results in the Group applying the revaluation model on all its property and equipment.

Reason for change in accounting policy

The Group has significant assets that were acquired in foreign currency during the multi currency period and in the mono currency period. The local currency has experienced significant devaluation during the period under review following currency reforms that were implemented on 22 February 2019. In addition, due to the prevailing hyperinflationery environment, there has been significant erosion of monetary values for assets including those acquired using the local currency with passage of time. These developments have resulted in the carrying amounts of assets in historical cost terms not representing the true and fair values of these assets in the financial statements. In an effort by the Group to improve the fair presentation of values of these assets in the financial statements, it has become necessary to adopt the revaluation model for these assets.

An independent valuation exercise of the assets was performed by an external valuer to determine the fair value of the assets as at 31 December 2019.

The revaluation surplus net of deferred income tax was credited to other comprehensive income and is shown as ‘revaluation reserves’ in shareholders equity. Details of the valuation techniques employed are reported under note 13.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

The revaluation model has been applied prospectively as permitted by the accounting standard. The prior period financial statements have therefore not been restated.

2.1.1.3 New and revised standards that did not have an impact on financial statements

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition,the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing Costs and IAS 19 Employee Benefits

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year.

The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability/(asset)using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

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

2.1.1.3 Future accounting developments
New and revised IFRS Standards in issue but not yet effective
The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective
- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The standard will have a material impact to the Group.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of material
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards
Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Notes to the Consolidated Financial Statements (continued)

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The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

2.1.2 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading environment and performance, show that the Group should be able to operate within the level of its current financing. After a detailed assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements combine the financial statements of FBC Holdings Limited ("the Company") and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus their share of subsequent changes in equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or loses arising from such remeasurement are recognised through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised profits or losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within "changes in ownership reserve". Gains or losses on disposals to non-controlling interests are also recorded in equity within "changes in ownership reserve".

Notes to the Consolidated Financial Statements (continued)
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(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Separate financial statements of the Company

The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances in the separate financial statements of the Company.

2.3 Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it earns revenues and incurs expenses (including revenues and expenses relating to transactions with other components of the entity); whose operating results are reviewed regularly by the entity's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments. In accordance with IFRS 8, Operating segments, the Group has the following business segments: commercial banking, microlending, mortgage financing, reinsurance, short-term insurance and stockbroking.

2.3.1 Commercial banking

The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

2.3.3 Mortgage financing

The principal activities of this segment consist of housing development, mortgage lending, savings deposit accounts and other money market investment products.

2.3.4 Reinsurance

The principal activities of this segment consist of underwriting the following classes of reinsurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.5 Short - term insurance

The principal activities of this segment consist of underwriting the following classes of insurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.6 Stockbroking

The principal activities of this segment consist of dealing in the equities market and offering advisory services.

2.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains or losses are presented in the statement of profit or loss within ‘net trading income’.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.5 Financial assets and liabilities

2.5.1 Financial assets classification

The Group applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

Recognition

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets are classified on the basis of two criteria:
i) the business model within which financial assets are managed, and
ii) their contractual cash flow characteristics (whether the cash flows represent ‘solely payments of principal and interest’ (SPPI)).

The Group assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election on initial recognition for non traded equity investments to be measured at fair value through other comprehensive income,

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in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the statement of profit or loss.

Derecognition
The Group derecognises a financial asset, or a portion of a financial asset, from its statement of financial position where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms or a substantive qualitative amendment is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Transactions in which the Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing
Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral in exchange for the transfer of collateral.

The Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit and loss. The Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and loss.

Reclassification
The Group reclassifies financial assets between measurement categories when, and only when, the business model for managing them changes. Reclassifications are accounted for prospectively from the reclassification date. The reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets. The Group does not restate any previously recognised gains or losses (including impairment gains or losses) or interest.

The Group may sell debt instruments classified in the hold-to-collect business model. Such sales are assessed to conclude on whether or not they indicate a change in business model, and therefore trigger a reclassification of the instruments. The Group considers the following factors in making this assessment:
- the historical frequency, timing and value of sales
- the reasons for the sales (e.g. due to credit deterioration)
- expectations about future sales activities.

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Some sales or transfers of financial instruments before maturity might be consistent with the hold-to-collect business model if they are infrequent (even if significant in value) or insignificant in value, either individually or in aggregate (even if frequent) or if they are in response to a deterioration in a counterparty's credit risk as part of the Group's credit risk management activities. Such sales would not change this classification if the Group's cash flow collection objectives remain the same i.e. to collect contractual cash flows. The Group applies judgement in determining when sales are considered frequent or significant.

The Group does not reclassify financial liabilities between measurement categories under any circumstances.

2.5.2 Issued debt and equity instruments

The Group applies IAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity. Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

2.5.3 Impairment of financial assets

Impairment

The Group recognises expected credit losses (ECLs) in compliance with IFRS 9 based on unbiased forward-looking information for all financial assets at amortised cost (treasury bills, bonds and debentures and loans and advances), lease receivables, loan commitments and financial guarantee contracts along side Reserve Bank of Zimbabwe (RBZ) provisioning requirement. Any excess RBZ provisioning over IFRS provisioning is accounted for through regulatory reserves in equity.

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month (Stage 1) ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

The 12 month ECL is calculated by multiplying the 12 month PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Determining a significant increase in credit risk since initial recognition:

The Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

ii) Qualitative test

Relevant for accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, such as industry and Group-wide customer level data, including but not limited to bureau scores and high consumer indebtedness index, wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

iii) Backstop criteria

Relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at a minimum: all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

Forward-looking information

The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the statement of profit or loss as a modification gain or loss.

Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect behavioural life of the asset, i.e. the full period over which the business expects to be exposed to credit risk. Behavioural life is typically based upon historical analysis of the average time to default, closure or withdrawal of facility. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

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Discounting
ECLs are discounted at the EIR at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease. For variable/floating rate financial assets, the spot rate at the reporting date is used.

Modelling techniques
ECLs are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original EIR. ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

i) Reserve Bank of Zimbabwe guidelines requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives;
ii) IFRS 9 models do not include certain conservative measures and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;
iii) Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and
iv) ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, the Group's risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, the Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers which are PD, EAD and LGD are modelled at an account level considering other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Forbearance
A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity.

Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definition of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state.

No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

2.5.4 Customer deposits
Customer deposits are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method.

2.5.5 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.5.7 Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment, (when a payment under the guarantee has become probable).

2.6 Balances with other banks and cash
Cash and bank balances comprise cash on hand, deposits held at call with other banks, and cash and balances with the Central Bank.

2.6.1 Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown as liabilities.

2.7 Trade and other receivables including insurance receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.8 Insurance contracts
Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary in the event of loss are classified as insurance contracts.

Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Recognition and measurement

Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties charged on premiums. Premiums written include estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the subsequent financial year, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims' provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

Reinsurance assets

The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessonaire) and the short-term insurance subsidiary cedes insurance risk to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

Reinsurance assets (contracts)

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within trade and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Reinsurance liabilities
Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when the obligation arises.

Deferred acquisition costs
Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisitions costs include direct cost such as commission and indirect costs such as administrative expenses connected with the processing of proposals and issuing of policies.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For insurance contracts the deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

2.9 Inventory
Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investment property
Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value.

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of profit or loss in the period in which they arise.

The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner-occupation for a transfer from investment property to owner-occupied property. The property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

2.11 Intangible assets

2.11.1 Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition. Negative goodwill is immediately recognised in the statement of comprehensive income.

2.11.2 Software licences

Separately acquired software licences are at historical cost less accumulated amortisation modified by revaluations at each reporting date. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation modified by revaluations. Amortisation on revalued carrying amounts is calculated using the straight-line method to allocate the cost of licences over the remaining estimated useful lives not exceeding 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranging from three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.12 Property and equipment

(a) Recognition and measurement

The cost of an item of property and equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings comprise mainly retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on yearly valuations by external independent valuers, less subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment is stated at historical cost less accumulated depreciation and impairment losses modified by revaluations by external independent valuers on a yearly basis. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as separate property and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss within ‘administrative expenses’ during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Increases in the carrying amount arising on revaluation of property and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from ‘revaluation reserve’ to ‘retained profits’ on disposal of the revalued asset.

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Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold premises	50 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other 'operating income'.

The carrying amounts of the Group's items of property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount (note 2.14)

(c) Derecognition

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.13 Time - share asset

The time - share asset comprises a house boat jointly owned with external entities and the Group has a majority share. The boat is recognised as an asset for owner use. The boat is stated at historical cost less accumulated depreciation and accumulated impairment losses modified by revaluation performed by external independent valuers on a yearly basis. Historical cost includes expenditure that is directly attributable to the acquisition of the Time - share asset.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over the estimated useful life of 10 years.

2.14 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment allowance is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not

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accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital ("treasury shares"), where any group company purchases the Company's share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Company's directors.

2.20 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

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

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

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also leases portions of its owner occupied properties. Leases for which the Group is a lessor are classified as finance or operating leases.

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Policies applicable prior to 1 January 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.21 Derivative

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Group's other income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. Derivatives have been used to hedge foreign currency and exchange rate risk related to non-trading positions. All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or financial liability (the host), which, had it been a standalone contract, would have met the definition of a derivative. If these are separated from the host, i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss, then they are accounted for in the same way as derivatives. For financial assets, the requirements are whether the financial asset contain contractual terms that give rise on specified dates to cash flows that are SPPI, and consequently the requirements for accounting for embedded derivatives are not applicable to financial assets.

2.22 Revenue recognition

Revenue is derived substantially from the business of banking and related activities, provision of insurance services and rendering of stock broking services. Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, measurement of the associated costs incurred to earn the revenue or the possible return of the goods.

From the business of banking and related services; revenue comprises interest income, fees and commission income, net trading income and dividend income.

2.22.1 Interest income and interest expense

Interest income and interest expense are recognised in the statement of profit or loss for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

2.22.2 Fee and commission income and expense

Fee and commission income and expense that is not an intergral part of effective interest rate is generally recognised on an accrual basis when the service has been provided. Loan commitment fees ("establishment fees") for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Commission and fee income and expense arising in the negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Other management advisory and service fees are recognised based on an accrual basis.

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2.22.3 Net trading income
Net trading and dealing income includes gains or losses arising from disposals and changes in fair values of financial assets and liabilities held for trading. Net trading income also includes gains or losses arising from changes in foreign currency exchange rates.

Income from equity investments and other non-fixed income investments is recognised as income on an accrual basis.

2.22.4 Dividend income
Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.22.5 Sale of goods - property sales
The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group uses the following steps in recognising revenue from sale of houses:

Revenue is recognised when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue on the land portion is recognized in full on execution of the sale agreement.

2.22.6 Insurance premiums (including reinsurance premiums)
Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

2.23 Employee benefits
(a) Termination benefits
Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates : (a) when the Group can no longer withdraw the offer for these benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(b) Short term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve

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months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(c) Post employment benefits
Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pension obligation
The Group provides for retirement benefit obligation in respect of its employees as follows;
- FBCH Pension Fund - Defined Contribution Fund,
- Eagle Insurance Pension Fund (for the short-term insurance subsidiary employees) - Defined Contribution Fund,
- National Social Security Authority ("NSSA") - a Statutory Defined Contribution Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(d) Profit sharing and bonus plans
The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after an independent audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Share-based payment transactions
The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs within operating expenses in the statement of profit or loss

(f) Long service awards
The net present value of the amount payable to employees in respect of long service awards, which are paid in cash, is recognised as an expense, with a corresponding increase in liabilities. The liability is re-measured at each reporting date and at settlement date. Any changes in the net present value of the liability are recognised as staff costs within operating expenses in the statement of profit or loss.

2.24 Earnings per share
The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company, held as treasury shares.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company, held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

2.25 Headline earnings per share
The Group presents headline earnings per share ("HEPS") for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/ subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements of investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on disposals of financial assets classified as available for sale or associates and gains or losses in the loss of control or a subsidiary.

These adjusted earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares.

2.26 Dividend in specie

The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. Where the distribution constitutes a business, and the shares relating to the business are quoted on an active market, the liability is measured at the fair value of the shares to be distributed using the quoted price.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

3.1 Impairment allowances on loans and advances

Collective impairment

The Group assesses its loan portfolios for impairment at least monthly. In determining whether an impairment allowance should be recorded in the statement of profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and past due but not impaired loans is calculated on a portfolio basis based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated emergence period. Critical judgements are also made in :

- determination of significant increase in credit risk
- determination of models and assumptioms
- use of forward looking information
- and on coming up with loss given default

Specific loan impairments

Non-performing loans include those for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for long periods.

Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows;

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For the year ended 31 December 2019

	Expected time to recovery 2019 Months	Expected recoveries as a percentage of impaired loans 2019 %	Impairment loss Sensitivity 2019 ZWL$	Expected time to recovery 2018 Months	Expected recoveries as a percentage of impaired loans 2018 %	Impairment loss Sensitivity 2018 ZWL$
INFLATION ADJUSTED						
Personal loans	6	10%	2 869	6	10%	14 006
Corporate loans	12	75%	3 152	12	75%	11 524
HISTORICAL COST						
Personal loans	6	10%	2 869	6	10%	2 255
Corporate loans	12	75%	3 152	12	75%	1 855

Sensitivity is based on the effect of a one percentage point increase in the value of the estimated recovery on the value of the specific impairment.

3.2 Income taxes

The Group is subject to income tax in Zimbabwe except for one subsidiary, FBC Building Society which is exempt from income tax. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination during the ordinary course of business is estimated. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax liabilities in the period in which such determination is made. Additional information is disclosed in note 18 and 30.

3.3 Insurance claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 16.

3.4 Inventory valuation

The process for evaluating inventory obsolescence or market value often requires the Group to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. The Group adjusts the inventory by the difference between the estimated market value and the actual cost of the inventory to arrive at net realizable value. The Group's estimates for market value are reviewed at least annually and updated. Any write down resulting from this review is reflected in the statement of profit or loss in 'cost of sales'.

3.5 Investment property, intangible assets and property and equipment valuation

The process of assertaining market values often requires subjective judgements and estimates concerning rental rates, capitalisation rates, sales prices, age and general condition. Additional information is disclosed in note 13.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
4	**BALANCES WITH BANKS AND CASH**	ZWL$	ZWL$	ZWL$	ZWL$
4.1	**Balances with Reserve Bank of Zimbabwe ("RBZ")**				
	Current account balances	762 530 981	812 227 169	762 530 981	131 238 946
	Balances with banks and cash				
	Notes and coins	277 726 850	55 712 579	277 726 850	8 969 265
	Other bank balances	867 648 849	323 006 453	867 648 849	52 001 371
		1 145 375 699	378 719 032	1 145 375 699	60 970 636
	Balances with banks and cash (excluding bank overdrafts)	**1 907 906 680**	**1 190 946 201**	**1 907 906 680**	**192 209 582**
	Current	1 907 906 680	1 190 946 201	1 907 906 680	192 209 582
	Non-current	-	-	-	-
	Total	**1 907 906 680**	**1 190 946 201**	**1 907 906 680**	**192 209 582**
4.2	**Cash and cash equivalents**				
	Cash and cash equivalents include the following for the purposes of the statement of cash flows;				
	Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	762 530 981	812 227 169	762 530 981	131 238 946
	Balances with banks and cash (note 4.1)	1 145 375 699	378 719 032	1 145 375 699	60 970 636
		1 907 906 680	**1 190 946 201**	**1 907 906 680**	**192 209 582**
	Per cash flow statement	**1 907 906 680**	**1 190 946 201**	**1 907 906 680**	**192 209 582**
5	**FINANCIAL ASSETS**				
5.1	**Loans and advances to customers**				
	Loans and advance maturities				
	Maturing within 1 year	1 382 811 163	1 575 075 594	1 382 811 163	253 032 843
	Maturing after 1 year	1 221 096 753	1 024 575 310	1 221 072 854	164 948 162
	Gross carrying amount	**2 603 907 916**	**2 599 650 904**	**2 603 884 017**	**417 981 005**
	Impairment allowance	(42 963 718)	(77 474 000)	(42 963 718)	(12 472 674)
		2 560 944 198	**2 522 176 904**	**2 560 920 299**	**405 508 331**

The maturity analysis of loans and receivables is based on contractual maturity from year end.

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INFLATION ADJUSTED

Reconciliation of impairment allowance by nature of loans and advance	Mortgages ZWL$	Personal loans ZWL$	Corporate loans ZWL$	Total ZWL$
As at 1 January 2018	13 768 905	19 412 719	61 468 135	94 649 759
Change on initial application of IFRS 9	(8 129 889)	1 019 549	2 544 490	(4 565 850)
Charge for the year	202 998	2 716 089	1 961 641	4 880 728
Increase in impairment allowances	265 691	2 716 089	5 378 319	8 360 099
Reversal of impairment	(62 693)	-	(3 416 678)	(3 479 371)
Interest in suspense/(recoveries)	(97 229)	(749 858)	(12 273 728)	(13 120 815)
Amount written off during the year and uncollectable	-	(4 369 822)	-	(4 369 822)
As at 31 December 2018	**5 744 785**	**18 028 677**	**53 700 538**	**77 474 000**
As at 1 January 2019	5 744 785	18 028 677	53 700 538	77 474 000
Effects of IAS29	(4 819 922)	(15 126 209)	(45 055 195)	(65 001 326)
Charge for the year	5 201 925	10 873 689	15 444 151	31 519 765
Increase in impairment allowances	5 345 727	10 873 689	15 444 151	31 663 567
Reversal of impairment	(143 802)	-	-	(143 802)
Amount written off during the year and uncollectable	-	(1 028 721)	-	(1 028 721)
As at 31 December 2019	**6 126 788**	**12 747 436**	**24 089 494**	**42 963 718**

HISTORICAL COST

Reconciliation of impairment allowance by nature of loans and advance	Mortgages ZWL$	Personal loans ZWL$	Corporate loans ZWL$	Total ZWL$
As at 1 January 2018	2 216 680	3 125 287	9 895 862	15 237 829
Change on initial application of IFRS 9	(1 308 845)	164 139	409 642	(735 064)
Charge for the year	32 681	437 268	315 808	785 757
Increase in impairment allowances	42 774	437 268	865 865	1 345 907
Reversal of impairment	(10 093)	-	(550 057)	(560 150)
Interest in suspense/(recoveries)	(15 653)	(120 721)	(1 975 969)	(2 112 343)
Amount written off during the year and uncollectable	-	(703 505)	-	(703 505)
As at 31 December 2018	**924 863**	**2 902 468**	**8 645 343**	**12 472 674**
As at 1 January 2019	924 863	2 902 468	8 645 343	12 472 674
Charge for the year	5 201 925	10 873 689	15 444 151	31 519 765
Increase in impairment allowances	5 345 727	10 873 689	15 444 151	31 663 567
Reversal of impairment	(143 802)	-	-	(143 802)
Amount written off during the year and uncollectable	-	(1 028 721)	-	(1 028 721)
As at 31 December 2019	**6 126 788**	**12 747 436**	**24 089 494**	**42 963 718**

Notes to the Consolidated Financial Statements (continued)
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	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
5.2 Trade and other receivables				
Retail trade and other receivables	26 361 993	-	26 361 993	-
Insurance receivables;				
- Due by insurance clients and insurance brokers	70 124 220	42 455 037	69 598 601	6 839 366
- Due by reinsurers	3 615 588	3 339 625	4 915 390	537 652
- Due by retrocessionaires	6 697 107	39 310 607	6 697 107	6 328 683
Gross carrying amount	**106 798 908**	**85 105 269**	**107 573 091**	**13 705 701**
Impairment allowance	(3 428 768)	(4 740 138)	(3 428 768)	(763 123)
	103 370 140	**80 365 131**	**104 144 323**	**12 942 578**
Current	68 897 690	40 873 486	69 671 868	6 584 749
Non-current	34 472 450	39 491 645	34 472 455	6 357 829
Total	**103 370 140**	**80 365 131**	**104 144 323**	**12 942 578**

5.3 Irrevocable commitments

There are no irrevocable commitments to extend credit, which can expose the Group to penalties or disproportionate expense.

5.4 Movement in credit impairment losses

	Bonds and debentures ZWL$	Trade and other receivables ZWL$	Loans and advances ZWL$	Financial assets at at armotised cost ZWL$	Undrawn contractual commitments & guarantees ZWL$	Total ZWL$
INFLATION ADJUSTED						
Balance at 01 January 2018	-	2 567 834	94 649 755	-	-	97 217 589
Change on initial application of IFRS 9	1 414 594	-	(4 565 846)	3 144 362	1 291 065	1 284 175
Impairment loss allowance	5 592 921	3 364 391	4 880 728	2 209 217	(436 760)	15 610 497
Amounts written off / reversals during the year	-	(1 192 087)	(4 369 820)	-	-	(5 561 907)
Interest in suspense (reclassifaction)	-	-	(13 120 817)	-	-	(13 120 817)
Balance as at 31 December 2018	**7 007 515**	**4 740 138**	**77 474 000**	**5 353 579**	**854 305**	**95 429 537**
Balance at 01 January 2019	7 007 515	4 740 138	77 474 000	5 353 579	854 305	95 429 537
Effects of IAS 29	(5 879 363)	(3 977 015)	(65 001 326)	(4 491 697)	(716 769)	(80 066 170)
Change on initial application of IFRS 9	-	-	-	-	-	
Impairment loss allowance	(503 920)	2 661 923	31 519 765	117 432	20 986	33 816 186
Amounts written off / reversals during the year	-	3 722	(1 028 721)	(13 972)	-	(1 038 971)
Balance as at 31 December 2019	**624 232**	**3 428 768**	**42 963 718**	**965 342**	**158 522**	**48 140 582**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

5.4 Movement in credit impairment losses

	Bonds and debentures ZWL$	Trade and other receivables ZWL$	Loans and advances ZWL$	Financial assets at at amortised cost ZWL$	Undrawn contractual commitments & guarantees ZWL$	Total ZWL$
HISTORICAL COST						
Balance at 01 January 2018	-	413 400	15 237 829	-	-	15 651 229
Change on initial application of IFRS 9	227 738	-	(735 064)	506 216	207 591	206 481
Impairment loss allowance	900 414	541 639	785 757	355 666	(70 055)	2 513 421
Amounts written off / reversals during the year	-	(191 916)	(703 505)	-	-	(895 421)
Interest in suspense (reclassifaction)	-	-	(2 112 343)	-	-	(2 112 343)
Balance as at 31 December 2018	**1 128 152**	**763 123**	**12 472 674**	**861 882**	**137 536**	**15 363 367**
Balance at 01 January 2019	1 128 152	763 123	12 472 674	861 882	137 536	15 363 367
Change on initial application of IFRS 9	-	-	-	-	-	-
Impairment loss allowance	(503 920)	2 661 923	31 519 765	117 432	20 986	33 816 186
Amounts written off / reversals during the year	-	3 722	(1 028 721)	(13 972)	-	(1 038 971)
Balance as at 31 December 2019	**624 232**	**3 428 768**	**42 963 718**	**965 342**	**158 522**	**48 140 582**

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
5.5 Financial assets at amortised cost				
Maturing within 1 year	114 887 989	981 517 554	114 887 989	158 016 219
Maturing after 1 year	76 807 619	181 570 052	76 807 619	28 913 959
Gross carrying amount	**191 695 608**	**1 163 087 606**	**191 695 608**	**186 930 178**
Impairment allowance	(965 342)	(5 353 579)	(965 342)	(861 882)
Total	**190 730 266**	**1 157 734 027**	**190 730 266**	**186 068 296**
6 BONDS AND DEBENTURES				
Maturing within 1 year	100 000 000	975 268 772	100 000 000	157 010 217
Maturing after 1 year	22 134 866	429 486 037	22 134 866	69 683 808
Gross carrying amount	**122 134 866**	**1 404 754 809**	**122 134 866**	**226 694 025**
Impairment allowance	(624 232)	(7 007 515)	(624 232)	(1 128 152)
Total	**121 510 634**	**1 397 747 294**	**121 510 634**	**225 565 873**

Bonds have fixed interest rates of 7%, 10% and 5%. They mature on 30 June 2020, 30 June 2021 and 30 September 2020 respectively.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Listed securities at market value	**54 932 609**	**80 823 911**	**57 760 631**	**9 049 902**
Current	54 932 609	80 823 911	57 760 631	9 049 902
Non-current	-	-	-	-
Total	**54 932 609**	**80 823 911**	**57 760 631**	**9 049 902**

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For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
8	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**				
	Listed securities at market value	**14 869 971**	**12 824 894**	**14 869 971**	**2 064 702**
	Current	14 869 971	12 824 894	14 869 971	2 064 702
	Non-current	-	-	-	-
	Total	**14 869 971**	**12 824 894**	**14 869 971**	**2 064 702**
9	**INVENTORY**				
	Raw materials	4 314 793	796 993	957 600	68 900
	Work in progress	54 729 195	49 336 188	11 685 054	6 307 718
	Finished goods	6 918 792	17 951 560	882 922	2 084 676
		65 962 780	**68 084 741**	**13 525 576**	**8 461 294**
	Current	65 962 780	68 084 741	13 525 576	8 461 294
	Non-current	-	-	-	-
	Total	**65 962 780**	**68 084 741**	**13 525 576**	**8 461 294**

Included in work in progress is ZWL$54 729 195 (2018: ZWL$49 336 188) inflation adjusted and ZWL$11 685 054 (2018: ZWL$6 307 718) in historical terms relating to residential properties for sale which are under construction. The cost of inventory recognised as an expense and included in the cost of sales amounted to ZWL$12 458 749 (2018: ZWL$ 59 133 593) inflation adjusted and in historical terms ZWL$ 3 073 238 (2018:ZWL$ 8 350 999).

		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
10	**PREPAYMENTS AND OTHER ASSETS**				
	Prepayments	36 113 569	48 906 826	24 477 293	7 873 595
	Deferred acquisition costs	19 063 628	4 755 076	5 715 239	765 528
	Refundable deposits for Mastercard and Visa transactions	57 123 667	43 640 096	57 123 667	7 025 695
	Stationery stock and other consumables	10 585 655	208 495	1 704 203	33 566
	Time - share asset	3 563 625	193 752	3 563 625	22 500
	Legacy debt assets	222 079 816	-	222 079 816	-
	Other	12 160 752	24 946 522	3 876 210	5 279 724
		360 690 712	**122 650 767**	**318 540 053**	**21 000 608**
	Current	270 037 672	77 705 665	227 887 013	14 902 986
	Non-current	90 653 040	44 945 102	90 653 040	6 097 622
	Total	**360 690 712**	**122 650 767**	**318 540 053**	**21 000 608**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
11 INVESTMENT PROPERTY				
Balance as at 1 January	54 897 226	52 080 437	8 838 000	8 184 400
Additions	13 781 549	3 929 580	1 814 773	632 630
Fair value adjustments	86 025 134	(897 511)	143 905 214	45 970
Disposal	(421 251)	(215 280)	(275 329)	(25 000)
Balance as at 31 December	**154 282 658**	**54 897 226**	**154 282 658**	**8 838 000**
Non-current	154 282 658	54 897 226	154 282 658	8 838 000
Total	**154 282 658**	**54 897 226**	**154 282 658**	**8 838 000**
Investment property comprises the following:				
Residential houses, Harare	38 854 200	25 405 030	38 854 200	4 480 000
Residential stands, Harare	53 994 612	8 373 100	53 994 612	958 000
Residential stand, Seke	1 191 246	403 747	1 191 246	65 000
Residential houses, out of Harare	4 558 600	1 149 127	4 558 600	185 000
Commercial stands, Harare	55 684 000	19 566 222	55 684 000	3 150 000
	154 282 658	**54 897 226**	**154 282 658**	**8 838 000**

The fair value of the investment property as at 31 December 2019 was arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. No liabilities are guaranteed by investment property. Refer to note 35 for fair value disclosures on investment property. Included in other operating income is rental income of ZWL$1 223 045 (2018: ZWL$465 720) in inflation adjusted terms and ZWL$203 841 (2018: ZWL$74 977) in historical cost terms relating to investment property

Sensitivity analysis on investment property fair values

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
If the market prices are to increase by the following percentages, investment property fair values will be as a follows				
25%	192 853 323	68 621 533	192 853 323	11 047 500
50%	231 423 987	82 345 840	231 423 987	13 257 000
100%	308 565 316	109 794 453	308 565 316	17 676 000
12 INTANGIBLE ASSETS				
Year ended 31 December				
Opening net book amount	17 264 142	16 164 353	2 056 337	1 851 136
Additions	8 591 739	4 243 285	5 270 623	780 136
Revaluation	180 279 967	-	193 952 264	-
Amortisation charge	(5 687 746)	(3 143 496)	(852 523)	(574 935)
Closing net book amount	**200 448 102**	**17 264 142**	**200 426 701**	**2 056 337**
As at 31 December				
Cost or valuation	250 771 675	61 899 969	206 541 769	7 318 882
Accumulated amortisation	(50 323 573)	(44 635 827)	(6 085 841)	(5 233 318)
Accumulated impairment	-	-	(29 227)	(29 227)
Net book amount	**200 448 102**	**17 264 142**	**200 426 701**	**2 056 337**
If intangible assets were stated on historical cost basis, the amount would be as follows;	**20 168 134**	**17 264 142**	**6 474 437**	**2 056 337**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

13 PROPERTY AND EQUIPMENT

INFLATION ADJUSTED	Land and buildings ZWL$	Computer equipment ZWL$	Furniture and office equipment ZWL$	Motor vehicles ZWL$	Total ZWL$
Year ended 31 December 2018					
Opening net book amount	152 430 166	11 777 358	68 899 408	10 556 959	243 663 891
Additions	42 174 745	3 757 988	21 649 138	7 979 814	75 561 685
Revaluation of property	-	-	-	-	-
Disposals	-	(32 953)	(16 492)	-	(49 445)
Depreciation	(2 114 657)	(1 316 690)	(15 007 496)	(2 653 569)	(21 092 412)
Closing net book amount	**192 490 254**	**14 185 703**	**75 524 558**	**15 883 204**	**298 083 719**
As at 31 December 2018					
Cost or valuation	197 164 887	48 388 243	139 904 066	32 468 181	417 925 377
Accumulated depreciation	(4 674 633)	(34 202 540)	(64 379 508)	(16 584 977)	(119 841 658)
Net book amount	**192 490 254**	**14 185 703**	**75 524 558**	**15 883 204**	**298 083 719**
Year ended 31 December 2019					
Opening net book amount	192 490 254	14 185 703	75 524 558	15 883 204	298 083 719
Additions	3 851 927	23 958 725	4 543 869	6 766 282	39 120 803
Revaluation of property	58 633 448	106 710 422	(46 414 031)	28 388 919	147 318 758
Disposals	-	(52 728)	(166 067)	(73 195)	(291 990)
Depreciation	(3 043 885)	(6 831 995)	(11 177 028)	(4 935 244)	(25 988 152)
Closing net book amount	**251 931 744**	**137 970 127**	**22 311 301**	**46 029 966**	**458 243 138**
As at 31 December 2019					
Cost or valuation	259 650 262	176 141 141	97 167 981	66 678 759	599 638 143
Accumulated depreciation	(7 718 518)	(38 171 014)	(74 856 680)	(20 648 793)	(141 395 005)
Accumulated impairment	-	-	-	-	-
Net book amount	**251 931 744**	**137 970 127**	**22 311 301**	**46 029 966**	**458 243 138**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

HISTORICAL COST	Land and buildings ZWL$	Computer equipment ZWL$	Furniture and office equipment ZWL$	Motor vehicles ZWL$	Total ZWL$
Year ended 31 December 2018					
Opening net book amount	17 870 284	1 383 003	8 054 578	1 541 326	28 849 191
Additions	4 897 661	642 625	2 321 502	976 479	8 838 267
Disposals	-	(3 827)	(1 916)	-	(5 743)
Depreciation	(443 759)	(609 312)	(1 265 575)	(488 370)	(2 807 016)
Closing net book amount	**22 324 186**	**1 412 489**	**9 108 589**	**2 029 435**	**34 874 699**
As at 31 December 2018					
Cost or valuation	23 999 208	5 670 625	14 774 948	4 408 432	48 853 213
Accumulated depreciation	(1 676 651)	(4 258 136)	(5 658 477)	(2 127 446)	(13 720 710)
Accumulated impairment	1 629	-	(7 882)	(251 551)	(257 804)
Net book amount	**22 324 186**	**1 412 489**	**9 108 589**	**2 029 435**	**34 874 699**
Year ended 31 December 2019					
Opening net book amount	22 324 186	1 412 489	9 108 589	2 029 435	34 874 699
Additions	1 127 617	12 530 117	1 838 188	2 439 099	17 935 021
Revaluation of property	229 044 891	125 306 131	12 770 394	42 322 303	409 443 719
Disposals	-	(6 124)	(19 285)	(8 500)	(33 909)
Depreciation	(564 950)	(1 272 486)	(1 386 585)	(752 371)	(3 976 392)
Closing net book amount	**251 931 744**	**137 970 127**	**22 311 301**	**46 029 966**	**458 243 138**
As at 31 December 2019					
Cost or valuation	254 171 716	143 168 215	29 282 972	49 060 138	475 683 041
Accumulated depreciation	(2 241 601)	(5 198 088)	(6 963 789)	(2 778 621)	(17 182 099)
Accumulated impairment	1 629	-	(7 882)	(251 551)	(257 804)
Net book amount	**251 931 744**	**137 970 127**	**22 311 301**	**46 029 966**	**458 243 138**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

If property and equipment was stated on historical cost basis, the amount would be as follows;

INFLATION ADJUSTED	Land and buildings ZWL$	Computer equipment ZWL$	Furniture and office equipment ZWL$	Motor vehicles ZWL$	Total ZWL$
2019					
Cost	198 545 266	72 294 240	144 281 867	39 161 268	454 282 641
Accumulated depreciation	(35 377 544)	(38 171 014)	(74 856 680)	(20 648 793)	(169 054 031)
Net book amount	**163 167 722**	**34 123 226**	**69 425 187**	**18 512 475**	**285 228 610**
2018					
Cost	194 693 340	48 388 243	139 904 065	32 468 181	415 453 829
Accumulated depreciation	(35 379 173)	(34 202 540)	(64 379 508)	(16 584 977)	(150 546 198)
Net book amount	**159 314 167**	**14 185 703**	**75 524 557**	**15 883 204**	**264 907 631**
HISTORICAL COST					
2019					
Cost	23 736 929	18 194 618	16 593 851	6 839 031	65 364 429
Accumulated depreciation	(4 673 456)	(5 198 088)	(6 963 789)	(2 778 621)	(19 613 954)
Net book amount	**19 063 473**	**12 996 530**	**9 630 062**	**4 060 410**	**45 750 475**
2018					
Cost	22 609 312	5 670 625	14 774 948	4 408 432	47 463 317
Accumulated depreciation	(4 108 506)	(4 258 136)	(5 666 359)	(2 378 997)	(16 411 998)
Net book amount	**18 500 806**	**1 412 489**	**9 108 589**	**2 029 435**	**31 051 319**

Fair values of property and equipment

An independent valuation of the Group's property and equipment was performed by valuers to determine the fair value of property and equipment as at 31 December 2019. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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INFLATION ADJUSTED

Recurring fair value measurements of property and equipment	Fair value measurements at 31 December 2019 using Observable inputs Level 2 ZWL$	Significant unobservable inputs Level 3 ZWL$	Total ZWL$
- Office buildings	-	188 958 119	188 958 119
- Land and residential properties	-	62 973 625	62 973 625
- Other property and equipment	-	206 311 394	206 311 394
	-	**458 243 138**	**458 243 138**

Recurring fair value measurements for land and buildings	Fair value measurements at 31 December 2018 using Observable inputs Level 2 ZWL$	Significant unobservable inputs Level 3 ZWL$	Total ZWL$
- Office buildings	-	157 828 717	157 828 716
- Land and residential properties	34 661 538	-	34 661 538
	34 661 538	**157 828 717**	**192 490 254**

HISTORICAL COST

Recurring fair value measurements of property and equipment	Fair value measurements at 31 December 2019 using Observable inputs Level 2 ZWL$	Significant unobservable inputs Level 3 ZWL$	Total ZWL$
- Office buildings	-	188 958 119	188 958 119
- Land and residential properties	-	62 973 625	62 973 625
- Other property and equipment	-	206 311 394	206 311 394
	-	**458 243 138**	**458 243 138**

Recurring fair value measurements for land and buildings	Fair value measurements at 31 December 2018 using Observable inputs Level 2 ZWL$	Significant unobservable inputs Level 3 ZWL$	Total ZWL$
- Office buildings	-	16 743 964	16 743 964
- Land and residential properties	5 580 222	-	5 580 222
	5 580 222	**16 743 964**	**22 324 186**

There were no level 1 assets or transfers between levels 1 and 2 during 2019.

Valuation techniques used to derive fair values

The valuation technique for the office buildings is the investment approach as the highest and best use of these properties was for office space. The following key inputs were used to determine the fair value;

- Rental rates in price per square metre. These were obtained by comparison of rates for similar properties in similar locations.
- Void rates as a percentage. This is the level of unoccupied space and was based on rates published by listed property companies.
- Capitalisation rate. This is what investors expect to earn as a percentage of their investment on an annual basis. The basis of these rates are actual transactions that transpired during the year.

Notes to the Consolidated Financial Statements (continued)
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The valuation of other property and equipment was derived using the sales comparison approach. Sales prices of comparable property and equipment of a simillar nature was adjusted for differences in key attributes such as property size, age and general condition.

INFLATION ADJUSTED	Level 3		Level 2	
	2019	2018	2019	2018
Property and equipment	ZWL$	ZWL$	ZWL$	ZWL$
Opening balance	**144 380 467**	**143 213 736**	**48 109 788**	**9 216 431**
Depreciation recognised	(25 988 152)	(2 043 561)	-	(71 096)
Revaluation gains recognised	147 318 758	-	-	-
Transfers from/(to) level 2	48 109 788	-	(48 109 788)	-
Additions	144 714 266	3 210 292	-	38 964 453
Disposals	(291 989)			
Closing balance	**458 243 138**	**144 380 467**	**-**	**48 109 788**

HISTORICAL COST	Level 3		Level 2	
	2019	2018	2019	2018
Property and equipment	ZWL$	ZWL$	ZWL$	ZWL$
Opening balance	**16 743 964**	**16 800 000**	**5 580 222**	**1 070 284**
Depreciation recognised	(3 976 392)	(428 840)	-	(14 919)
Revaluation gains recognised	409 443 719	-	-	-
Transfers from/(to) level 2	5 580 221	-	(5 580 222)	-
Additions	30 485 535	372 804	-	4 524 857
Disposals	(33 909)			
Closing balance	**458 243 138**	**16 743 964**	**-**	**5 580 222**

Valuation processes of the Group

On a yearly basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's property and equipment. As at 31 December 2019, the fair values of property and equipment was determined by Bard Real Estate (Private) Limited and Dawn Properties (Private) Limited. There was a limited number of sales in the market for commercial property and therefore the valuations were performed using unobservable inputs. The external valuers determined these inputs based on the size, age and condition of the property and equipment, the state of the local economy and comparable rental rates.

Sensitivity analysis on property and equipment fair values

If market prices are to increase by the following percentages, the property and equipment total values will be as follows;

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	ZWL$	ZWL$	ZWL$	ZWL$
25%	572 803 923	372 604 649	572 803 923	43 593 374
50%	687 364 707	447 125 579	687 364 707	52 312 049
100%	916 486 276	596 167 439	916 486 276	69 749 398

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		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
14	**DEPOSITS**				
14.1	**Deposits from customers**				
	Demand deposits	1 743 082 384	3 076 053 490	1 743 082 384	495 219 204
	Promissory notes	220 261 721	270 081 167	220 261 721	43 480 837
	Other time deposits	61 530 409	554 063 960	61 530 409	89 199 721
		2 024 874 514	**3 900 198 617**	**2 024 874 514**	**627 899 762**
	Current	2 017 197 497	3 850 156 254	2 017 197 497	619 843 355
	Non-current	7 677 017	50 042 363	7 677 017	8 056 407
	Total	**2 024 874 514**	**3 900 198 617**	**2 024 874 514**	**627 899 762**
14.2	**Deposits from other banks**				
	Money market deposits	195 140 989	875 034 804	195 140 989	140 873 376
	Current	195 140 989	875 034 804	195 140 989	140 873 376
	Non-current	-	-	-	-
	Total	**195 140 989**	**875 034 804**	**195 140 989**	**140 873 376**

		31 Dec 2019 ZWL$	%	31 Dec 2018 ZWL$	%
14.3	**Deposit concentration**				
	INFLATION ADJUSTED				
	Agriculture	108 196 036	5%	209 419 887	4%
	Construction	65 529 366	3%	123 980 379	3%
	Wholesale and retail trade	454 635 668	20%	866 712 267	18%
	Public sector	133 601 753	6%	289 695 440	6%
	Manufacturing	238 021 241	11%	453 868 273	10%
	Telecommunication	130 290 710	6%	279 745 420	6%
	Transport	108 170 299	5%	202 652 037	4%
	Individuals	315 367 298	14%	615 159 249	13%
	Financial services	91 506 313	4%	780 158 597	16%
	Mining	324 510 898	15%	618 911 179	13%
	Other	250 185 921	11%	334 930 693	7%
		2 220 015 503	**100%**	**4 775 233 421**	**100%**
	HISTORICAL COST				
	Agriculture	108 196 036	5%	33 714 872	4%
	Construction	65 529 366	3%	19 959 817	3%
	Wholesale and retail trade	454 635 668	20%	139 533 516	17%
	Public sector	133 601 753	6%	46 638 573	6%
	Manufacturing	238 021 241	11%	73 069 043	10%
	Telecommunication	130 290 710	6%	45 036 702	6%
	Transport	108 170 299	5%	32 625 304	4%
	Individuals	315 367 298	14%	99 035 558	13%
	Financial services	91 506 313	4%	125 599 090	16%
	Mining	324 510 898	15%	99 639 588	13%
	Other	250 185 921	11%	53 921 075	7%
		2 220 015 503	**100%**	**768 773 138**	**100%**

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise amounts payable on demand.

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		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
15	**BORROWINGS**				
	Foreign lines of credit	1 721 776 897	645 484 383	1 721 776 897	103 917 654
	Other borrowings	554 889	2 999 197	554 889	482 846
		1 722 331 786	**648 483 580**	**1 722 331 786**	**104 400 500**
	Current	39 600 979	31 072 352	39 600 979	5 002 392
	Non-current	1 682 730 807	617 411 228	1 682 730 807	99 398 108
	Total	**1 722 331 786**	**648 483 580**	**1 722 331 786**	**104 400 500**

These loans are analysed as follows:

Shelter Afrique - US$5 000 000 being repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period and bears interest at a rate of 11% per annum.

Norsad Finance Limited- US$ 10 million facility. The facility was availed from December 2016 and has an effective interest rate of 9.54% per annuam with a tenure of 5 years.

African Export-Import Bank- US$ 30 million. The facility was availed from May 2018 and has an effective interest rate 8.7% per annuam with a tenure of 5 years.

African Export-Import Bank- US$ 60 million. The facility was availed from May 2018 and has an effective interest rate 8.7% per annuam with a tenure of 3 years.

		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
16	**INSURANCE LIABILITIES**				
	Gross outstanding claims	32 306 364	63 855 083	29 018 115	10 280 141
	Liability for unearned premium	68 325 654	32 712 386	22 315 117	3 641 761
		100 632 018	**96 567 469**	**51 333 232**	**13 921 902**
	Current	100 632 018	96 567 469	51 333 232	13 921 902
	Non-current	-	-	-	-
	Total	**100 632 018**	**96 567 469**	**51 333 232**	**13 921 902**
16.1	**Gross outstanding claims**				
	Gross outstanding claims at the beginning of the year	67 252 077	24 973 393	9 769 584	4 020 510
	Reinsurer's share of technical liabilities	(38 800 056)	(3 669 654)	(5 818 127)	(590 784)
	Net outstanding claims at the beginning of the year	**28 452 021**	**21 303 739**	**3 951 457**	**3 429 726**
	Change in liability for claims	(1 018 891)	2 685 380	17 502 395	432 324
	Reinsurer's share of technical liabilities at the end of the year	4 873 234	39 865 965	7 564 263	6 418 091
	Gross outstanding claims at the end of the year	**32 306 364**	**63 855 083**	**29 018 115**	**10 280 141**
16.2	**Liability for unearned premium**				
	Gross liability for unearned premium	40 094 619	31 385 001	3 487 429	3 428 063
	Reinsurer's share of the provision for unearned premium	28 231 035	1 327 385	18 827 688	213 698
	Balance at end of the year	**68 325 654**	**32 712 386**	**22 315 117**	**3 641 761**

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Assumptions and sensitivities for general insurance liabilities

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The liabilities are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 16% (2018 : 14%) of net written premium for the reinsurance subsidiary and 5% (2018: 5%) of net written premium for the insurance subsidiary. The 14% and 5% were arrived at after consideration of past experience. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, gross IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% based on past experience with all other variables held constant.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Impact of 10% increase in the percentage used to estimate IBNR				
Incurred but not yet reported ("IBNR") losses	2 212 628	1 400 561	990 461	225 479
17 TRADE AND OTHER PAYABLES				
Trade and other payables	98 869 628	76 122 154	97 474 651	12 255 038
Deferred income	24 947 322	29 423 708	11 578 331	4 736 974
Visa and MasterCard settlement payables	104 844 009	43 640 096	104 844 009	5 593 158
TT Resdex inwards	143 621 711	1 527 227	143 621 711	245 871
RBZ cash cover	351 355 319	-	351 355 319	-
Zimswitch settlement	9 052 117	9 581 287	9 052 117	1 542 508
Instant banking balances	5 595 738	27 069 606	5 595 738	4 357 983
Other liabilities	141 772 981	110 862 619	141 508 183	18 011 136
	880 058 825	**298 226 697**	**865 030 059**	**46 742 668**
Current	819 413 099	202 680 146	819 216 750	32 962 918
Non-current	60 645 726	95 546 551	45 813 309	13 779 750
Total	**880 058 825**	**298 226 697**	**865 030 059**	**46 742 668**

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18 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 24.72% (2018: 25.75%).

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
The movement on the deferred income tax account is as follows:				
As at 1 January	(16 507 218)	(30 588 717)	(4 406 076)	(6 752 246)
Statement of profit or loss charge (note 30)	207 762 191	15 769 716	196 474 418	2 538 794
Tax charge relating to components of other comprehensive income	68 548 642	76 339	98 137 774	12 290
Other	-	(1 764 556)	-	(204 914)
Effects of IAS29	12 452 851	-	-	-
As at 31 December	**272 256 466**	**(16 507 218)**	**290 206 116**	**(4 406 076)**

18.1 Analysis of charge in the statement of profit or loss

The deferred income tax charge in the statement of profit or loss comprises the following temporary differences:				
Allowance for loan impairment	(2 802 637)	(5 952 945)	(2 802 637)	(958 375)
Property and equipment allowances	32 121 118	2 742 985	20 833 345	441 598
Unrealised gains on foreign exchange and equities	152 300 880	(398 263)	152 300 880	(64 117)
Financial assets at fair value through other comprehensive income	14 484 116	76 339	14 484 116	12 290
Accrual for leave pay	(7 132 815)	(5 328 901)	(7 132 815)	(857 909)
Deferred acquisition costs	1 156 497	(575 116)	1 156 497	(92 589)
Unearned premium reserve and deferred income	(1 170 164)	(338 626)	(1 170 164)	(54 516)
Prepayments and other assets	(4 028 148)	13 299 800	(4 028 148)	2 141 158
Other provisions	22 833 340	12 244 443	22 833 340	1 971 254
Total	**207 762 191**	**15 769 716**	**196 474 418**	**2 538 794**

Assessable tax loss are all within 1 year.

18.2 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following items:				
Allowance for loan impairment	(64 198 203)	(61 395 566)	(12 686 816)	(9 884 179)
Available for sale financial assets	14 249 619	(234 497)	14 446 364	(37 752)
Property and equipment allowances	75 112 362	42 991 244	26 006 030	5 172 685
Unrealised gains on foreign exchange and equities	224 592 467	3 742 944	251 041 238	602 583
Accrual for leave pay	(9 173 584)	(2 040 769)	(7 461 362)	(328 547)
Deferred acquisition costs	2 487 783	1 331 286	1 370 823	214 326
Unearned premium reserve and deferred income	(6 256 189)	(5 086 025)	(1 988 972)	(818 808)
Prepayments and other assets	6 540 587	10 568 735	(2 326 669)	1 701 479
Other provisions	32 953 769	(2 332 424)	22 457 841	(375 501)
Net outstanding claims	(4 052 145)	(4 052 146)	(652 361)	(652 362)
	272 256 466	(16 507 218)	290 206 116	(4 406 076)

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	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
18.3 Timing of reversal temporary differences		-		
Deferred income tax assets				
Deferred income tax asset to be recovered after more than 12 months	512 446	27 602 682	59 509	5 189 191
	512 446	**27 602 682**	**59 509**	**5 189 191**
Deferred income tax liabilities				
Deferred income tax liability to be recovered after more than 12 months	272 768 912	11 095 464	290 265 625	783 115
Net deferred income tax liability/(asset)	**272 256 466**	**(16 507 218)**	**290 206 116**	**(4 406 076)**

The deferred income tax arising from property and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA").

Deferred income tax assets arise from allowances for loan impairments which are disclosed for tax purposes. Deduction for loans written off are allowable for tax purposes.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
19 SHARE CAPITAL AND SHARE PREMIUM				
19.1 Authorised				
Number of ordinary shares, with a nominal value of ZWL$0,00001	800 000 000	800 000 000	800 000 000	800 000 000
19.2 Issued and fully paid				
Number of ordinary shares, with a nominal value of ZWL$0,00001	671 949 927	671 949 927	671 949 927	671 949 927

19.3 Share capital movement	Number of Shares	Share Capital ZWL$	Share Premium ZWL$	Total ZWL$
INFLATION ADJUSTED				
As at 31 December 2018	**671 949 927**	**57 859**	**121 273 040**	**121 330 899**
As at 31 December 2019	**671 949 927**	**57 859**	**121 273 040**	**121 330 899**
HISTORICAL COST				
As at 31 December 2018	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**
As at 31 December 2019	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**

The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Stock Exchange Listing Requirements and the Articles and Memorandum of Association of the Company.

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For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
20 OTHER RESERVES				
Revaluation reserves	265 212 636	-	507 803 164	3 163 733
Non distributable reserves	315 381 903	315 381 903	36 624 611	36 624 611
Regulatory reserves	-	6 012 501	-	-
Financial assets at fair value through other comprehensive income reserve	8 049 210	6 261 523	2 853 886	1 066 199
Treasury shares reserves	(87 931 329)	(52 876 149)	(18 227 276)	(7 128 376)
Changes in ownership reserve	14 386 485	14 386 485	1 670 671	1 670 671
	515 098 905	**289 166 263**	**530 725 056**	**35 396 838**

The definitions of the reserves are as follows;

The revaluation reserve consists of increases in the value of land and buildings on revaluation.

Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZWL$") or could be reasonably translated into a currency other than the ZWL$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transfered to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS.

Financial assets at fair value reserve comprises the changes in the fair value of financial assets at fair value through other comprehensive income, net of tax.

Treasury share reserve represents shares the Group has issued and subsequently reacquired.

Change in ownership reserve represents the net expense or gain resulting in a step acquisition of a subsidiary.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
21 INTEREST AND RELATED INCOME				
Cash and cash equivalents	5 324 683	6 780 351	3 285 192	254 667
Loans and advances to other banks	23 546 639	19 519 270	10 548 883	2 384 789
Loans and advances to customers	444 288 529	491 766 920	190 573 794	60 876 711
Banker's acceptances and tradable bills	51 702 678	176 361 480	19 876 933	21 490 124
Other interest income	3 654 340	1 833 723	220 438	304 091
	528 516 869	**696 261 744**	**224 505 240**	**85 310 382**
Credit related fees that are an intergral part of the effective interest on loans and advances have been classified under interest income.				
21.1 INTEREST AND RELATED EXPENSE				
Deposit from other banks	22 016 507	22 525 519	9 067 272	4 778 238
Demand deposits	7 288 823	19 852 049	3 306 963	2 459 326
Lines of credit from financial institutions	144 691 609	66 331 744	66 093 991	5 686 106
Time deposits	38 753 193	52 670 633	14 690 139	7 188 060
	212 750 132	**161 379 945**	**93 158 365**	**20 111 730**

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		INFLATION ADJUSTED		HISTORICAL COST	
		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
22	**FEE AND COMMISSION INCOME**				
	Retail service fees	280 294 363	321 181 430	133 093 984	38 521 782
	Credit related fees	23 344 392	16 993 712	10 716 377	3 545 086
	Investment banking fees	1 354 950	2 624 326	657 203	326 413
	Brokerage commission	4 650 355	5 956 369	4 679 122	766 080
		309 644 060	**346 755 837**	**149 146 686**	**43 159 361**
22.1	**FEE AND COMMISSION EXPENSE**				
	Brokerage	**2 029 077**	**2 903 873**	**781 832**	**358 716**
23	**REVENUE FROM PROPERTY SALES**				
	Property sales	**31 851 496**	**76 375 696**	**16 586 687**	**10 839 739**
23.1	**COST OF PROPERTY SALES**				
	Raw materials	**12 458 749**	**59 133 593**	**3 073 238**	**8 350 999**
24	**INSURANCE PREMIUM REVENUE**				
	Gross premium written	388 325 870	274 336 019	173 340 846	35 439 009
	Change in unearned premium reserve ("UPR")	(46 437 037)	(4 098 086)	(18 755 751)	(402 557)
		341 888 833	**270 237 933**	**154 585 095**	**35 036 452**
25	**NET GAIN FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**				
	Financial assets at fair value through profit or loss (note 7), fair value loss	**72 709 084**	**19 596 042**	**72 709 084**	**3 139 229**
26	**OTHER OPERATING INCOME**				
	Rental income	2 019 096	1 122 506	550 045	212 282
	Profit on disposal of property and equipment	2 693 509	305 917	35 901	39 689
	Sundry income	125 732 979	26 597 334	27 833 393	1 315 996
	Bad debts recoveries	21 438 928	37 742 423	6 280 059	7 539 868
	Fair value adjustment on investment property	86 025 134	(897 511)	143 905 214	45 970
	Legacy debt interest claim	18 021 472	-	18 021 472	-
		255 931 118	**64 870 669**	**196 626 084**	**9 153 805**
27	**NET INSURANCE COMMISSION EXPENSE**				
	Commissions paid	59 320 254	39 912 384	24 658 330	4 976 802
	Commission received	(13 517 148)	(9 328 286)	(7 876 187)	(1 147 861)
	Change in technical provisions	(9 907 424)	(247 512)	(5 032 107)	(22 737)
		35 895 682	**30 336 586**	**11 750 036**	**3 806 204**

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28 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	INFLATION ADJUSTED			HISTORICAL COST		
	Gross ZWL$	Reinsurance ZWL$	Net ZWL$	Gross ZWL$	Reinsurance ZWL$	Net ZWL$
Year ended 31 December 2019						
Claims and loss adjustment expenses	140 632 101	(63 792 846)	76 839 255	73 281 692	(38 054 603)	35 227 089
Change in technical provisions	9 124 760	(2 196 348)	6 928 412	18 368 901	(921 187)	17 447 714
Total claims	**149 756 861**	**(65 989 194)**	**83 767 667**	**91 650 593**	**(38 975 790)**	**52 674 803**
Year ended 31 December 2018						
Claims and loss adjustment expenses	126 449 622	(35 778 805)	90 670 817	17 008 692	(5 760 092)	11 248 600
Change in technical provisions	(2 299 428)	(707 961)	(3 007 389)	521 731	(113 976)	407 755
Total claims	**124 150 194**	**(36 486 766)**	**87 663 428**	**17 530 423**	**(5 874 068)**	**11 656 355**

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
29 ADMINISTRATIVE EXPENSES				
Marketing	24 798 616	25 435 873	12 187 241	3 206 613
Premises	16 823 610	16 947 683	6 512 586	2 113 972
Computer	47 293 425	38 340 432	24 495 257	4 788 627
Insurance	56 103 318	30 400 195	14 971 630	1 706 979
Travel	10 928 772	6 124 017	5 468 705	802 250
Security	9 410 634	12 895 791	4 802 320	1 613 533
Communication	34 324 656	10 189 277	6 080 786	1 576 456
Donations	4 910 481	3 647 077	1 901 609	6 450
Subscriptions	19 265 746	7 776 971	3 716 075	1 127 103
Operational losses	5 006 153	2 512 427	1 532 632	195 788
Mastercard and Visa expenses	97 400 465	16 394 160	20 633 774	2 639 324
Other administration expenses	37 658 155	66 096 034	46 307 274	9 815 083
Staff costs (note 29.1)	369 637 895	272 485 209	192 279 183	32 425 016
Directors' remuneration (note 29.2)	91 389 795	40 601 953	79 939 232	6 536 579
Audit fees				
- Current year fees	4 297 349	2 058 516	3 225 311	331 404
- Prior year fees	222 947	94 052	66 932	75 389
- Other services	-	-	-	-
Depreciation	25 988 152	21 092 412	3 976 392	2 807 016
Impairment of property and equipment	-	-	-	-
Amortisation and impairment loss (note 12)	5 687 746	3 143 496	852 523	574 935
Operating lease payment	6 137 874	7 466 839	3 286 217	959 818
	867 285 789	**583 702 414**	**432 235 679**	**73 302 335**
29.1 Staff costs				
Salaries and allowances	353 108 637	261 266 246	189 106 984	30 642 742
Social security	2 547 566	2 493 545	491 479	394 786
Pension contribution	13 981 692	8 725 418	2 680 720	1 387 488
	369 637 895	**272 485 209**	**192 279 183**	**32 425 016**
29.2 Directors' remuneration				
Board fees	10 309 335	4 298 837	8 652 638	988 576
Other emoluments	2 241 924	9 237 100	764 709	91 229
For services as management	71 356 280	27 066 016	63 039 629	5 456 774
Termination benefits	7 482 256	-	7 482 256	-
	91 389 795	**40 601 953**	**79 939 232**	**6 536 579**

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	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
29.3 Leases as lessee				
Right-of-use assets				
Cost				
Balance at 1 January	10 238 514	-	1 782 433	-
Additions	974 350	-	173 726	-
Remeasurement adjustments	13 738 154	-	7 078 170	-
Balance at 31 December	**24 951 018**	**-**	**9 034 329**	**-**
Accumulated depreciation				
Balance at 1 January	-	-	-	-
Charge for the year	2 594 322	-	1 168 776	-
Balance at 31 December	**2 594 322**	**-**	**1 168 776**	**-**
Carrying amount at 31 December	**22 356 696**	**-**	**7 865 553**	**-**
Amounts recognised in profit and loss				
Depreciation expense on right-of-use assets	2 594 322	-	1 168 776	-
Interest expense on lease liabilities	2 515 543	-	863 276	-
Expense relating to short term leases	6 252 201	-	3 273 333	-
Expense relating to leases of low value assets	39 745	-	14 740	-
Expenses relating to variable lease payments not included -in the measurement of lease liabilities	829 045	-	288 638	-
Income from sub-leasing right-of-use assets	-	-	-	-
The total committed value for short term leases	352 689	-	1 994 119	-
The total cash outflow for leases	6 420 525	-	1 923 233	-
Lease liabilities				
Analysed as:				
Current	1 682 656	-	1 682 656	-
Non current	6 291 716	-	6 291 716	-
	7 974 372	**-**	**7 974 372**	**-**

The Group leases some of its properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index.

Previously these leases were classified as operating leases under IAS 17. In accordance with IFRS 16, the Group has recogised right of use assets and lease liabilities.

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	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Operating leases under IAS 17				
Non - cancellable operating lease rentals are payable as follows:				
Up to one year	-	4 924 482	-	792 801
One to two years	-	1 216 410	-	195 832
	-	**6 140 892**	**-**	**988 633**
Amounts recorded in profit or loss				
Lease expense	6 137 874	7 466 839	3 286 217	959 818
30 INCOME TAX EXPENSE:				
30.1 Charge for the year				
Current income tax on income for the reporting year	324 339 805	74 396 036	37 008 347	7 546 912
Prior year under provision	-	778 450	-	125 324
Deferred income tax	207 762 191	15 769 716	196 474 418	2 538 794
Income tax expense	**532 101 996**	**90 944 202**	**233 482 765**	**10 211 030**
The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2019 is 25.75% (2018: 25.75%).				
30.2 Reconciliation of income tax expense				
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 25.75% (2018: 25.75%) as follows;				
Profit before income tax	**168 783 607**	**128 975 500**	**529 350 452**	**54 646 473**
Income tax charged based on profit for the year at 25.75% (2018:25.75%)	43 461 779	33 211 191	136 307 741	14 071 467
Tax effect of:				
Exempt income	(70 216 308)	(37 566 761)	(23 685 517)	(5 414 240)
Income subject to tax at lower rates	1 603 655	3 623 522	(1 604 237)	-
Impairment allowance	8 964 260	18 106 126	8 964 260	-
Expenses not deductible for tax purposes	37 250 854	8 569 012	16 583 954	1 120 833
Prior year under provision	-	-	-	125 323
Other	511 037 756	65 001 112	96 916 564	307 647
Income tax expense	**532 101 996**	**90 944 202**	**233 482 765**	**10 211 030**
Effective rate	**315%**	**71%**	**44%**	**19%**

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31 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Company or have the power to exercise controlling influence over the management or financial and operating policies of the Group. The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

Key management

Name	Position
John Mushayavanhu	Group Chief Executive
Trynos Kufazvinei	Group Finance Director
Kleto Chiketsani	Managing Director (FBC Reinsurance Limited)
Webster Rusere	Managing Director (FBC Bank Limited)
Felix Gwandekwande *	Managing Director (FBC Building Society)
Tichaona Mabeza	Group Company Secretary
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
Musa Bako	Managing Director (FBC Insurance Company (Private) Limited)
Patrick Mangwendeza	Managing Director (Microplan Financial Services (Private) Limited)
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit
Alfred Chitanda	Executive Director (FBC Insurance Company (Private) Limited)
Agnes Kanhukamwe	Executive Director (FBC Building Society)
Pius Rateiwa	Managing Director (FBC Building Society)
Abel Magwaza	Executive Director (FBC Bank Limited)
Agrippa Mugwagwa	Executive Director (FBC Bank Limited)
Martin Makonese	Executive Director (FBC Bank Limited)
Patrick Takawira	Executive Director (FBC Bank Limited)
Joachim Matsvimbo	Executive Director (FBC Reinsurance Limited)
Alice Chiedza	Executive Director (FBC Reinsurance Limited)
Patricia Nyazenga	Divisional Director Credit Management
Mudzingwa Nhiwatiwa	Divisional Director Risk Management

* Retired 30 September 2019

The following are companies and a trust related to directors, key management and the Group:
Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
Wedgeport Investments (Private) Limited (owned by FBC Holdings Limited board member)
Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
Rus Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
Country Sky Investments (related to FBC Bank Limited board member)
Pachiro Family Trust (related to FBC Bank Limited board member)
Zuva Petroleum (related to FBC Holdings Executive)

Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2019.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Zuva Petroleum	-	632 598	-	101 843
Arena Investments (Private) Limited	-	985 672	-	158 685
Country Sky Investments	100 478	1 343 100	100 478	216 228
	100 478	**2 961 370**	**100 478**	**476 756**
Their terms and conditions are the same as those of ordinary customers.				
Loans and advances to non executive directors				
Balance as at 1 January	786 487	675 972	126 618	108 826
Effects of IAS29	(659 869)	-	-	-
Advances during the year	222 480	187 736	222 480	30 224
Transfer to ordinary loans after director resignation	-	-	-	-
Interest charged and repayments made during the year	(68 047)	(77 221)	(68 047)	(12 432)
Balance as at 31 December	**281 051**	**786 487**	**281 051**	**126 618**
Loans and advances to executive directors				
Balance as at 1 January	12 910 929	4 819 564	2 078 553	775 910
Effects of IAS29	(10 832 376)	-	-	-
Advances during the year	7 456 251	16 493 902	7 456 251	2 655 382
Interest charged and repayments made during the year	(3 411 258)	(8 402 537)	(3 411 258)	(1 352 739)
Balance as at 31 December	**6 123 546**	**12 910 929**	**6 123 546**	**2 078 553**
Loans and advances to directors and officers of the Group have, along with other loans and advances, been subjected to impairment procedures. Their terms and conditions are the same as those of ordinary customers.				
Compensation for executive directors and key management				
Short term employee benefits	101 461 042	16 924 227	71 568 204	7 371 683
Post- employment benefits	3 556 105	613 702	1 548 932	267 310
Long service awards	10 175 616	-	10 175 616	-
Termination benefits	7 482 256	-	7 482 256	-
	122 675 019	**17 537 929**	**90 775 008**	**7 638 993**

Group entities	**interest 2019**	**interest 2018**
FBC Bank Limited	100%	100%
FBC Building Society	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Microplan Financial Services (Private) Limited	100%	100%
FBC Insurance Company (Private) Limited	95.4%	95.4%

Other related party transactions

Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund and director's remuneration. Details of these transactions are disclosed in note 40 and note 29.2 respectively.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

32 PRINCIPAL SUBSIDIARIES
The Group had the following subsidiaries at 31 December 2019

Group and Company

Name	Nature of business	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
FBC Bank Limited	Commercial banking	100	100	-
FBC Building Society	Mortgage financing	100	100	-
FBC Reinsurance Limited	Short term reinsurance	100	100	-
FBC Securities (Private) Limited	Stockbroking	100	100	-
FBC Insurance Company (Private) Limited	Short term insurance	95	95	5
Microplan Financial Services (Private) Limited	Microlending	100	100	-

All subsidiaries were incorporated in Zimbabwe, which is also their place of business.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Significant restrictions
There are no material restrictions with regards to any of the subsidiaries' ability to access or use assets, and settle liabilities of the Group.

33 EARNINGS PER SHARE

33.1 Basic earnings
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue excluding ordinary shares purchased by the Company and held as treasury shares.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
(Loss)/profit attributable to equity holders of the parent	(362 233 681)	38 617 370	295 598 000	44 416 204
Total	**(362 233 681)**	**38 617 370**	**295 598 000**	**44 416 204**
Basic (loss)/earnings per share				
Basic (loss)/earnings per share (ZWL cents)	(58.67)	6.04	47.88	6.95
	(58.67)	**6.04**	**47.88**	**6.95**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

Year ended 31 December 2019	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2019	671 949 927	44 827 282	627 122 645	627 122 645
Treasury shares purchased	-	19 881 345	(19 881 345)	(9 761 017)
Weighted average number of ordinary shares as at 31 December 2019	**671 949 927**	**64 708 627**	**607 241 300**	**617 361 628**
Year ended 31 December 2018				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2018	671 949 927	31 827 282	640 122 645	640 122 645
Treasury shares purchased	-	13 000 000	(13 000 000)	(1 246 575)
Weighted average number of ordinary shares as at 31 December 2018	**671 949 927**	**44 827 282**	**627 122 645**	**638 876 070**

33.2 Diluted earnings

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Earnings				
(Loss)/profit attributable to equity holders of the parent	(362 233 681)	38 617 370	295 598 000	44 416 204
Total	**(362 233 681)**	**38 617 370**	**295 598 000**	**44 416 204**
Weighted average number of ordinary shares at 31 December	**617 361 628**	**638 876 070**	**617 361 628**	**638 876 070**
Diluted (loss)/earnings per share				
Diluted earnings per share for continuing operations (ZWL cents)	(58.67)	6.04	47.88	6.95
	(58.67)	**6.04**	**47.88**	**6.95**

33.3 Headline earnings per share

Headline earnings is calculated by starting with the basic earnings number and then excluding the following re-measurements;
- Gains/losses on the loss of control of a subsidiary
- Impairment/subsequent reversal of impairment of all assets
- Disposal gains/losses of all assets
- Compensation from third parties for assets that were impaired or lost
- The reclassification of all other remeasurements from other comprehensive income to profit or loss
- The reclassification of gains and losses on financial assets at fair value through other comprehensive income upon impairment or disposal and subsequent impairment losses
- The post-tax gain or loss on the disposal of assets or a disposal group constituting discontinued operations

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Profit attributable to equity holders	**(362 233 681)**	**38 617 370**	**295 598 000**	**44 416 204**
Adjusted for excluded remeasurements				
Profit from the disposal of property and equipment (note 26)	(2 693 509)	(305 917)	(35 901)	(39 689)
Headline earnings	**(364 927 190)**	**38 311 453**	**295 562 099**	**44 376 515**
Weighted average number of ordinary shares at 31 December	**617 361 628**	**638 876 070**	**617 361 628**	**638 876 070**
Headline earnings per share (ZWL cents)	**(59.11)**	**6.00**	**47.88**	**6.95**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

34 FINANCIAL RISK MANAGEMENT

The Group has a defined risk appetite that is set by the Board and it outlines the amount of risk that business is prepared to take in pursuit of its objectives and it plays a pivotal role in the development of risk management plans and policies. The Group regularly reviews its policies and systems to reflect changes in markets, products, regulations and best market practice.

The policies specifically cover foreign exchange risk, liquidity risk, interest rate risk , credit risk and the general use of financial instruments. Group Risk and Compliance, Group Internal audit review from time to time the intergrity of the risk control systems in place and ensure that risk policies and strategies are effectively implemented within the Group.

The Group's risk management strategies and plans are aimed at achieving an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's activities and operations results in exposure to the following risks:
(a) Credit risk
(b) Market risk
(b.i) Interest rate risk,
(b.ii) Currency risk, and
(b.iii) Price risk
(c) Liquidity risk
(d) Settlement risk
(e) Operational risk
(f) Capital risk

Other risks:
g) Reputational risk
h) Compliance risk
i) Strategic risk

The Group controls these risks by diversifying its exposures and activities among products, clients, and by limiting its positions in various instruments and investments.

34.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products. Credit risk and exposure to losses are inherent parts of the Group's business.

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group or counterparties and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

The Board Credit Committees of the Bank, Microplan and the Building Society periodically review and approve the Group's policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's lending and investment activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary's Management Credit Committee must then be approved by the subsidiary Board Credit Committee.

The Group Credit Management Division evaluates the credit exposures and assures ongoing credit quality by reviewing individual credit and concentration and monitoring of corrective action.

Notes to the Consolidated Financial Statements (continued)
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The Group Credit Division periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assess the adequacy of the impairment allowance. Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

Credit policies, procedures and limits
The Group has sound and well-defined policies, procedures and limits which are reviewed at least once every year and approved by the Board of Directors of the subsidiary companies and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to Credit Managers, Management, Board Credit Committees and the Board. In addition there are counterparty limits, individual account limits, group limits and concentration limits.

Credit risk mitigation and hedging
As part of the Group's credit risk mitigation and hedging strategy, various types of collateral are taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness for the guarantor is established in line with the credit policy.

Credit risk stress testing
The Group recognises the possible events or future changes that could have a negative impact on the credit portfolios which could affect the Group's ability to generate more business. To mitigate this risk, the Group has put in place a stress testing framework that guides the Group's banking subsidiaries in conducting credit stress tests.

Significant increase in credit risk
The Group monitors all financial assets that are subject to impairment requirments 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 Group will measure the loss allowance based on the lifetime rather than 12-month ECL.

Credit terms:
Default
This is failure by a borrower to comply with the terms and conditions of a loan facility as set out in the facility offer letter or loan contract. Default occurs when a debtor is either unwilling or unable to repay a loan.

Past due loans
These are loans in which the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

Impaired loans
The Group's policy regarding impaired/doubtful loans is that all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest; all such loans are classified in the categories 8, 9 and 10 under the Basel II ten tier grading system and stage 3 under IFRS 9 staging matrix.

Provisioning policy and write offs
The Group has adopted IFRS 9 along side Reserve Bank of Zimbabwe provisioning requirements to determine expected credit losses (ECL).

Notes to the Consolidated Financial Statements (continued)
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The table below shows the mapping of the RBZ Supervisory Rating Scale to the IFRS 9 staging matrix

Rating	Descriptive classification	Risk level	Level of allowance	2012 Grading and level of allowance	IFRS 9 grading/tier system	Type of allowance
1	Prime grade	Insignificant	1%	A (1%)	Stage 1	12 Months ECL
2	Strong	Modest	1%			
3	Satisfactory	Average	2%			
4	Moderate	Acceptable	3%	B (3%)	Stage 2	Lifetime ECL
5	Fair	Acceptable with care	4%			
6	Speculative	Management attention	5%			
7	Speculative	Special mention	10%			
8	Substandard	Vulnerable	20%	C (20%)	Stage 3	Lifetime ECL
9	Doubtful	High default	50%	D (50%)		
10	Loss	Bankrupt	100%	E (100%)		

General allowance for impairment under Reserve Bank of Zimbabwe provisioning requirements

Prime to highly speculative grades “1 to 7”
General allowance for impairment for facilities in this category are maintained at the percentage (detailed in table above) of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Specific allowance for impairment

Sub-standard to loss grades “8 to 10” - Timely repayment and/or settlement may be at risk
Specific allowance for impairment for facilities in this category are currently maintained at the percentages (detailed above) of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held.

The basis for writing off assets
When an advance which has been identified as impaired and subjected to a specific allowance for impairment continues to deteriorate, a point will come when it may be concluded that there is no realistic prospect of recovery. Board approval will be sought by Group Credit Management Division for the exposure to be immediately written off from the Group’s books while long term recovery strategies are then pursued.

Credit risk and Basel II
The Group applied Credit Risk Basel II standards in line with the regulatory authorities’ approach. Internal processes have been revamped to comply with the requirements. Policies and procedure manuals have been realigned to comply with the minimum requirements of Basel II.

Expected Credit Losses (ECL) under IFRS 9
In the context of IFRS 9, it is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract (scheduled or contractual cashflows) and the cash flows that the entity expects to receive (actual expected cashflows).

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Expected Credit Losses are the product of Probability of Default(PD)*Exposure at Default (EAD)* Loss Given Default (LGD)

Probability of Default (PD)
It is the chance that borrowers will fail to meet their contractual obligations in the future. The PD is derived using historical internal credit rating data.

Exposure at Default (EAD)
It is the total value that a bank is exposed to at the time of a loan's default. In most cases and for most loan products, EAD is taken as the gross outstanding balance at time of default. It also includes off -balance sheet exposures such as guarantees and lending commitments which are then modelled based on historical experience to determine the appropriate exposure estimates.

Loss Given Default (LGD)
It is an estimate of the loss from a transaction given that a default has occurred. The LGD estimate is calculated as the quotient of the set of estimated cash flows resulting from the workout and/or collections process (the loss of principal, the carrying costs of non-performing loans e.g. interest income foregone and workout expenses. The estimates take into account the time value of money by discounting the recoveries to the date of default.

For detailed information on ECL's under IFRS 9 refer to note 2.5.3

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
34.1.1 Exposure to credit risk	ZWL$	ZWL$	ZWL$	ZWL$
Loans and advances				
Past due and impaired				
Stage 3/Grade 8: Impaired	3 551 198	14 117 457	3 551 198	2 272 794
Stage 3/Grade 9: Impaired	938 893	8 047 506	938 893	1 295 582
Stage 3/Grade 10: Impaired	4 154 084	8 211 309	4 154 084	1 321 953
Gross amount, past due and impaired	**8 644 175**	**30 376 272**	**8 644 175**	**4 890 329**
Impairment allowance	(3 289 774)	(15 542 158)	(3 289 774)	(2 502 159)
Carrying amount, past due and impaired	**5 354 401**	**14 834 114**	**5 354 401**	**2 388 170**
Past due but not impaired				
Stage 2/Grade 4 - 7:	62 235 412	441 152 018	62 235 412	71 021 831
Neither past due nor impaired				
Stage 1/Grade 1 - 3:	2 533 028 329	2 128 122 614	2 533 004 430	342 068 845
Gross amount, not impaired	**2 595 263 741**	**2 569 274 632**	**2 595 239 842**	**413 090 676**
Impairment allowance	(39 673 944)	(61 931 842)	(39 673 944)	(9 970 515)
Carrying amount, not impaired	**2 555 589 797**	**2 507 342 790**	**2 555 565 898**	**403 120 161**
Total carrying amount	**2 560 944 198**	**2 522 176 904**	**2 560 920 299**	**405 508 331**

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INFLATION ADJUSTED

	31 Dec 2019				31 Dec 2018			
	ECL staging Stage 1 12-month ECL ZWL$	Stage 2 Lifetime ECL ZWL$	Stage 3 Lifetime ECL ZWL$	Total ZWL$	ECL staging Stage 1 12-month ECL ZWL$	Stage 2 Lifetime ECL ZWL$	Stage 3 Lifetime ECL ZWL$	Total ZWL$
Credit grade								
Investment grade	2 533 028 329	-	-	2 533 028 329	2 128 122 614	-	-	2 128 122 614
Standard monitoring	-	39 640 753	-	39 640 753	-	319 854 483	-	319 854 483
Special monitoring	-	22 594 659	-	22 594 659	-	121 297 535	-	121 297 535
Default	-	-	8 644 175	8 644 175	-	-	30 376 272	30 376 272
Gross financial assets at amortised cost	**2 533 028 329**	**62 235 412**	**8 644 175**	**2 603 907 916**	**2 128 122 614**	**441 152 018**	**30 376 272**	**2 599 650 904**
Impairment allowance	(29 592 046)	(10 081 898)	(3 289 774)	(42 963 718)	(26 131 527)	(35 800 315)	(15 542 158)	(77 474 000)
Net financial asset at amortised cost	**2 503 436 283**	**52 153 514**	**5 354 401**	**2 560 944 198**	**2 101 991 087**	**405 351 703**	**14 834 114**	**2 522 176 904**
Analysis								
Gross amount								
Balance as at January	**2 128 122 614**	**441 152 018**	**30 376 272**	**2 599 650 904**	**1 450 974 503**	**422 019 695**	**89 743 977**	**1 962 738 175**
Effects of IAS29	(1 786 053 769)	(370 130 187)	(25 485 944)	(2 181 669 900)	-	-	-	-
Transfers	3 022 579	(6 948 379)	3 925 800	-	(26 099 724)	17 455 187	8 644 537	-
Stage 1	(12 125 345)	8 675 299	3 450 046		(82 297 576)	74 060 557	8 237 019	
Stage 2	14 604 040	(15 838 596)	1 234 557		54 108 701	(59 074 490)	4 965 789	
Stage 3	543 884	214 918	(758 803)		2 089 151	2 469 120	(4 558 271)	
New issue	2 330 966 949	31 478 360	1 007 604	2 363 452 913	2 224 696 481	259 256 860	5 821 771	2 489 775 112
Repayments	(143 030 044)	(33 316 400)	(728 625)	(177 075 069)	(1 521 448 646)	(257 579 724)	(69 464 193)	(1 848 492 563)
Amounts written off during the year as uncollectible	-	-	(450 932)	(450 932)	-	-	(4 369 820)	(4 369 820)
Balance as at December	**2 533 028 329**	**62 235 412**	**8 644 175**	**2 603 907 916**	**2 128 122 614**	**441 152 018**	**30 376 272**	**2 599 650 904**
Impairment								
Balance as at January	**26 131 527**	**35 800 315**	**15 542 158**	**77 474 000**	**41 654 603**	**23 280 741**	**29 714 411**	**94 649 755**
Changes on initial application of IFRS 9	(21 924 567)	(30 036 760)	(13 039 999)	(65 001 326)	(1 167 085)	368 652	(3 767 415)	(4 565 848)
Transfers	267 332	(324 669)	57 337	-	(4 921 625)	(625 939)	5 547 564	-
Stage 1	(303 613)	204 984	98 629		(6 096 449)	2 763 769	3 332 680	
Stage 2	456 697	(582 762)	126 065		1 077 235	(3 455 513)	2 378 277	
Stage 3	114 248	53 109	(167 357)		97 589	65 805	(163 393)	
Net change due to new issues and repayments	28 354 234	4 121 492	(450 005)	32 025 721	(5 374 456)	15 452 594	2 565 903	12 644 041
Interest in suspense (reclassifaction)	-	-	-	-	(1 413 315)	(149 921)	(11 557 581)	(13 120 817)
Changes in parameters	(3 236 480)	521 520	1 631 215	(1 083 745)	(2 646 595)	(2 525 812)	(2 590 904)	(7 763 311)
Amounts written off during the year as uncollectible	-	-	(450 932)	(450 932)	-	-	(4 369 820)	(4 369 820)
Balance as at December	**29 592 046**	**10 081 898**	**3 289 774**	**42 963 718**	**26 131 527**	**35 800 315**	**15 542 158**	**77 474 000**

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HISTORICAL COST

	31 Dec 2019				31 Dec 2018			
	ECL staging Stage 1 12-month ECL ZWL$	Stage 2 Lifetime ECL ZWL$	Stage 3 Lifetime ECL ZWL$	Total ZWL$	ECL staging Stage 1 12-month ECL ZWL$	Stage 2 Lifetime ECL ZWL$	Stage 3 Lifetime ECL ZWL$	Total ZWL$
Credit grade								
Investment grade	2 533 004 430	-	-	2 533 004 430	342 068 845	-	-	342 068 845
Standard monitoring	-	39 640 752	-	39 640 752	-	51 493 930	-	51 493 930
Special monitoring	-	22 594 660	-	22 594 660	-	19 527 901	-	19 527 901
Default	-	-	8 644 175	8 644 175	-	-	4 890 329	4 890 329
Gross financial assets at amortised cost	**2 533 004 430**	**62 235 412**	**8 644 175**	**2 603 884 017**	**342 068 845**	**71 021 831**	**4 890 329**	**417 981 005**
Impairment allowance	(29 592 046)	(10 081 898)	(3 289 774)	(42 963 718)	(4 206 960)	(5 763 555)	(2 502 159)	(12 472 674)
Net financial asset at amortised cost	**2 503 412 384**	**52 153 514**	**5 354 401**	**2 560 920 299**	**337 861 885**	**65 258 276**	**2 388 170**	**405 508 331**
Analysis								
Gross amount								
Balance as at January	**342 068 845**	**71 021 831**	**4 890 329**	**417 981 005**	**233 594 910**	**67 941 685**	**14 448 039**	**315 984 634**
Effects of IAS29	-	-	-	-	-	-	-	-
Transfers	3 022 580	(6 948 379)	3 925 800	-	(4 201 840)	2 810 141	1 391 699	-
Stage 1	(12 125 345)	8 675 299	3 450 047		(13 249 230)	11 923 138	1 326 092	
Stage 2	14 604 040	(15 838 596)	1 234 556		8 711 054	(9 510 505)	799 451	
Stage 3	543 885	214 918	(758 803)		336 336	397 508	(733 844)	
New issue	2 331 483 152	31 478 362	1 007 604	2 363 969 118	357 616 440	41 738 213	937 257	400 291 910
Repayments	(143 570 147)	(33 316 401)	(728 626)	(177 615 174)	(244 940 665)	(41 468 208)	(11 183 161)	(297 592 034)
Amounts written off during the year as uncollectible	-	-	(450 932)	(450 932)	-	-	(703 505)	(703 505)
Balance as at December	**2 533 004 430**	**62 235 412**	**8 644 175**	**2 603 884 017**	**342 068 845**	**71 021 831**	**4 890 329**	**417 981 005**
Impairment								
Balance as at January	4 206 960	5 763 555	2 502 159	12 472 674	6 706 047	3 748 007	4 783 775	15 237 829
Changes on initial application of IFRS 9				-	(187 891)	59 350	(606 523)	(735 064)
Transfers	267 332	(324 669)	57 337	-	(792 341)	(100 771)	893 112	-
Stage 1	(303 613)	204 984	98 629		(981 478)	444 944	536 534	
Stage 2	456 697	(582 762)	126 065		173 426	(556 309)	382 883	
Stage 3	114 248	53 109	(167 357)		15 711	10 594	(26 305)	
Net change due to new issues and repayments	28 354 234	4 121 492	(450 005)	32 025 721	(865 243)	2 487 740	413 089	2 035 586
Interest in suspense (reclassifaction)	-	-	-	-	(227 532)	(24 136)	(1 860 675)	(2 112 343)
Changes in parameters	(3 236 480)	521 520	1 631 215	(1 083 745)	(426 080)	(406 635)	(417 114)	(1 249 829)
Amounts written off during the year as uncollectible	-	-	(450 932)	(450 932)	-	-	(703 505)	(703 505)
Balance as at December	**29 592 046**	**10 081 898**	**3 289 774**	**42 963 718**	**4 206 960**	**5 763 555**	**2 502 159**	**12 472 674**

Notes to the Consolidated Financial Statements (continued)
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Loans and advances neither past due nor impaired

Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be within the grade 1 to 3 category (Stage 1). Past due loans and advances are those whose repayments (capital and interests) are outstanding for more than 30 days.

Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

	INFLATION ADJUSTED				HISTORICAL COST			
	Personal loans ZWL$	Corporate loans ZWL$	Mortgages ZWL$	Total ZWL$	Personal loans ZWL$	Corporate loans ZWL$	Mortgages ZWL$	Total ZWL$
As at 31 December 2019								
Past due up to 1 month	671 520	19 483 004	28 728	20 183 252	671 520	19 483 004	28 728	20 183 252
Past due 1-3 months	3 489 421	11 582 354	6 457 681	21 529 456	3 489 421	11 582 354	6 457 681	21 529 456
Past due 3-6 months	1 709 285	17 669 708	482 097	19 861 090	1 709 285	17 669 708	482 097	19 861 090
Past due 6 - 12 months	347 857	7 134	104 262	459 253	347 857	7 134	104 262	459 253
Over 12 months	56 123	-	146 238	202 361	56 123	-	146 238	202 361
Total	**6 274 206**	**48 742 200**	**7 219 006**	**62 235 412**	**6 274 206**	**48 742 200**	**7 219 006**	**62 235 412**
Value of collateral	2 908 851	220 870 121	5 929 591	229 708 563	2 908 851	220 870 121	5 929 591	229 708 563
Amount of (under)/over collateralisation	**(3 365 355)**	**172 127 921**	**(1 289 415)**	**167 473 151**	**(3 365 355)**	**172 127 921**	**(1 289 415)**	**167 473 151**
As at 31 December 2018								
Past due up to 1 month	10 333 965	133 333 505	498 746	144 166 216	1 663 683	21 465 593	80 294	23 209 570
Past due 1-3 months	17 165 825	83 518 956	41 040 186	141 724 967	2 763 556	13 445 862	6 607 131	22 816 549
Past due 3-6 months	10 488 594	139 776 531	25 542	150 290 667	1 688 577	22 502 867	4 112	24 195 556
Past due 6-12 months	660 208	-	56 717	716 925	106 288	-	9 131	115 419
Over 12 months	3 879 298	272 493	101 452	4 253 243	624 535	43 869	16 333	684 737
Total	**42 527 890**	**356 901 485**	**41 722 643**	**441 152 018**	**6 846 639**	**57 458 191**	**6 717 001**	**71 021 831**
Value of collateral	20 075 918	1 524 371 653	34 283 076	1 578 730 647	3 232 057	245 411 245	5 519 292	254 162 594
Amount of (under)/over collateralisation	**(22 451 972)**	**1 167 470 168**	**(7 439 567)**	**1 137 578 629**	**(3 614 582)**	**187 953 054**	**(1 197 709)**	**183 140 763**

Notes to the Consolidated Financial Statements (continued)
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Loans and advances past due and impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is ZWL$8 644 175 (2018: ZWL$30 376 273) in inflation adjusted terms and ZWL$ 8 644 175 (2018: ZWL$4 890 329) in historical cost terms.

The breakdown of the fair value of related collateral held by the Group as security, are as follows;

	INFLATION ADJUSTED			HISTORICAL COST		
	Personal loans ZWL$	Corporate loans ZWL$	Total ZWL$	Personal loans ZWL$	Corporate loans ZWL$	Total ZWL$
As at 31 December 2019						
Gross carrying amount	5 881 883	2 762 292	8 644 175	5 881 883	2 762 292	8 644 175
Less allowance for impairment	(2 869 495)	(420 279)	(3 289 774)	(2 869 495)	(420 279)	(3 289 774)
Net carrying amount	**3 012 388**	**2 342 013**	**5 354 401**	**3 012 388**	**2 342 013**	**5 354 401**
Value of collateral	**2 946 410**	**2 751 400**	**5 697 810**	**2 946 410**	**2 751 400**	**5 697 810**
As at 31 December 2018						
Gross carrying amount	21 757 023	8 619 250	30 376 273	3 502 701	1 387 628	4 890 329
Less allowance for impairment	(14 005 669)	(1 536 489)	(15 542 158)	(2 254 797)	(247 362)	(2 502 159)
Net carrying amount	**7 751 354**	**7 082 761**	**14 834 115**	**1 247 904**	**1 140 266**	**2 388 170**
Value of collateral	**19 130 851**	**17 090 318**	**36 221 169**	**3 079 909**	**2 751 400**	**5 831 309**

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Renegotiated loans and advances to customers -				
- Continuing to be impaired after restructuring	-	198 731	-	31 994
- Non-impaired after restructuring – would otherwise have been impaired	895 214	302 295	895 214	48 667
- Non-impaired after restructuring – would otherwise not have been impaired	-	-	-	-
Total	**895 214**	**501 026**	**895 214**	**80 661**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

Repossessed collateral
During the year ended 31 December 2019 the Group repossessed collateral valued at ZWL$ 173 500 (2018 - ZWL$13 978 421).

Sectorial analysis of utilizations of loans and advances to customers

	INFLATION ADJUSTED				HISTORICAL COST			
	2019		2018		2019		2018	
	ZWL$	%	ZWL$	%	ZWL$	%	ZWL$	%
Mining	207 529 414	8%	96 839 080	4%	207 529 414	8%	15 590 292	4%
Manufacturing	51 292 366	2%	165 306 245	6%	51 292 366	2%	26 612 940	6%
Mortgages	101 049 526	4%	444 426 857	17%	101 049 526	4%	71 549 053	17%
Wholesale	21 959 881	1%	167 502 034	6%	21 959 881	1%	26 966 444	6%
Distribution	68 432 245	3%	133 456 859	5%	68 432 245	3%	21 485 452	5%
Individuals	167 265 480	6%	644 763 824	25%	167 265 480	6%	103 801 650	25%
Agriculture	151 318 786	6%	138 735 764	5%	151 318 786	6%	22 335 312	5%
Communication	6 044 620	0%	32 211 771	1%	6 044 620	0%	5 185 829	1%
Construction	17 237 732	1%	62 054 190	2%	17 237 732	1%	9 990 212	2%
Local authorities	9 027 415	0%	66 237 765	3%	9 027 415	0%	10 663 733	3%
Other services	1 802 750 451	69%	648 116 515	25%	1 802 726 552	69%	103 800 088	25%
	2 603 907 916	**100%**	**2 599 650 904**	**100%**	**2 603 884 017**	**100%**	**417 981 005**	**100%**

Risk concentrations
There are material concentrations of loans and advances to the following sectors; individuals 6% (2018: 25%), mining 8% (2018: 4%), other services 69% (2018: 25%) and agriculture 6% (2018: 5%).

34.1.1 Exposure to credit risk (continued)
Analysis of credit quality by sector - loans and advances to customers

INFLATION ADJUSTED
As at 31 December 2019

	Stage 1/ Grades 1 to 3 ZWL$	Stage 2/ Grades 4 to 7 ZWL$	Stage 3/ Grade 8 ZWL$	Stage 3/ Grade 9 ZWL$	Stage 3/ Grade 10 ZWL$	Total ZWL$
Sector						
Manufacturing	40 786 697	10 501 473	-	634	3 562	51 292 366
Wholesale	15 809 220	3 914 564	1 404 763	219 697	611 637	21 959 881
Individuals	157 738 212	7 356 545	769 455	366 149	1 035 119	167 265 480
Mortgages	90 311 540	7 430 120	483 159	315 773	2 508 934	101 049 526
Agriculture	146 277 666	4 285 079	81 606	227 721	446 714	151 318 786
Distribution	61 012 075	7 308 804	65 662	2 102	43 602	68 432 245
Construction	13 304 151	3 878 423	55 158	-	-	17 237 732
Communication	798 176	5 246 444	-	-	-	6 044 620
Local Authorities	8 249 317	778 098	-	-	-	9 027 415
Mining	202 268 603	5 258 083	964	1 351	413	207 529 414
Other services	1 796 472 672	6 277 779	-	-	-	1 802 750 451
	2 533 028 329	**62 235 412**	**2 860 767**	**1 133 427**	**4 649 981**	**2 603 907 916**
Percentage of total loans	97%	2%	0%	0%	0%	100%

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

As at 31 December 2018

Sector	Stage 1/ Grades 1 to 3 ZWL$	Stage 2/ Grades 4 to 7 ZWL$	Stage 3/ Grade 8 ZWL$	Stage 3/ Grade 9 ZWL$	Stage 3/ Grade 10 ZWL$	Total ZWL$
Manufacturing	83 523 006	81 576 657	8 615	9 050	188 917	165 306 245
Wholesale	131 023 349	30 394 137	4 328 899	1 239 144	516 505	167 502 034
Individuals	588 071 400	39 591 497	4 683 849	3 253 217	9 163 861	644 763 824
Mortgages	382 093 298	41 339 587	3 862 944	2 999 806	14 131 222	444 426 857
Agriculture	103 698 054	32 603 281	263 734	340 154	1 830 541	138 735 764
Distribution	67 330 317	56 787 528	569 315	55 028	8 714 671	133 456 859
Construction	31 666 197	30 113 526	274 467	-	-	62 054 190
Communication	622	32 210 739	410	-	-	32 211 771
Local Authorities	60 906 933	5 330 832	-	-	-	66 237 765
Mining	55 975 537	40 858 543	-	2 379	2 621	96 839 080
Other services	596 780 055	50 345 689	125 224	148 734	716 813	648 116 515
	2 101 068 768	**441 152 016**	**14 117 457**	**8 047 512**	**35 265 151**	**2 599 650 904**
Percentage of total loans	81%	17%	1%	0%	1%	100%

HISTORICAL COST

As at 31 December 2019

Sector	Stage 1/ Grades 1 to 3 ZWL$	Stage 2/ Grades 4 to 7 ZWL$	Stage 3/ Grade 8 ZWL$	Stage 3/ Grade 9 ZWL$	Stage 3/ Grade 10 ZWL$	Total ZWL$
Manufacturing	40 786 697	10 501 473	-	634	3 562	51 292 366
Wholesale	15 809 220	3 914 564	1 404 763	219 697	611 637	21 959 881
Individuals	157 738 212	7 356 545	769 455	366 149	1 035 119	167 265 480
Mortgages	90 311 540	7 430 120	483 159	315 773	2 508 934	101 049 526
Agriculture	146 277 666	4 285 079	81 606	227 721	446 714	151 318 786
Distribution	61 012 075	7 308 804	65 662	2 102	43 602	68 432 245
Construction	13 304 151	3 878 423	55 158	-	-	17 237 732
Communication	798 176	5 246 444	-	-	-	6 044 620
Local Authorities	8 249 317	778 098	-	-	-	9 027 415
Mining	202 268 603	5 258 083	964	1 351	413	207 529 414
Other services	1 796 448 773	6 277 779	-	-	-	1 802 726 552
	2 533 004 430	**62 235 412**	**2 860 767**	**1 133 427**	**4 649 981**	**2 603 884 017**
Percentage of total loans	97%	2%	0%	0%	0%	100%

As at 31 December 2018

Sector	Stage 1/ Grades 1 to 3 ZWL$	Stage 2/ Grades 4 to 7 ZWL$	Stage 3/ Grade 8 ZWL$	Stage 3/ Grade 9 ZWL$	Stage 3/ Grade 10 ZWL$	Total ZWL$
Manufacturing	13 446 514	13 133 168	1 387	1 457	30 414	26 612 940
Wholesale	21 093 677	4 893 205	696 917	199 492	83 153	26 966 444
Individuals	94 674 638	6 373 904	754 061	523 741	1 475 306	103 801 650
Mortgages	61 513 865	6 655 332	621 902	482 944	2 275 010	71 549 053
Agriculture	16 694 530	5 248 859	42 459	54 762	294 702	22 335 312
Distribution	10 839 625	9 142 323	91 655	8 859	1 402 990	21 485 452
Construction	5 097 996	4 848 029	44 187	-	-	9 990 212
Communication	100	5 185 663	66	-	-	5 185 829
Local Authorities	9 805 513	858 220	-	-	-	10 663 733
Mining	9 011 599	6 577 888	-	383	422	15 590 292
Other services	95 535 342	8 105 240	20 160	23 945	115 401	103 800 088
	337 713 399	**71 021 831**	**2 272 794**	**1 295 583**	**5 677 398**	**417 981 005**
Percentage of total loans	81%	17%	1%	0%	1%	100%

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

34.1.1 Exposure to credit risk (continued)

Reconciliation of allowance for impairment for loans and advances

INFLATION ADJUSTED

	31 Dec 2019			31 Dec 2018		
	Specific allowance / Stage 3 ZWL$	Collective allowance / Stage 1-2 ZWL$	Total ZWL$	Specific allowance / Stage 3 ZWL$	Collective allowance / Stage 1-2 ZWL$	Total ZWL$
Balance at 1 January	15 542 158	61 931 842	77 474 000	34 182 289	60 467 466	94 649 755
Effects of IAS 29	(13 039 999)	(51 961 327)	(65 001 326)	-	-	
Change on initial application of IFRS 9	-	-	-	(6 171 602)	1 605 756	(4 565 846)
Increase in impairment allowance	1 737 894	29 781 871	31 519 765	4 345 608	535 120	4 880 728
Impairment reversal	(499 347)	(78 442)	(577 789)	(2 126 643)	2 126 643	-
Write off	(450 932)	-	(450 932)	(4 369 820)	-	(4 369 820)
Interest in suspense	-	-	-	(10 317 674)	(2 803 143)	(13 120 817)
	3 289 774	**39 673 944**	**42 963 718**	**15 542 158**	**61 931 842**	**77 474 000**

HISTORICAL COST

	31 Dec 2019			31 Dec 2018		
	Specific allowance / Stage 3 ZWL$	Collective allowance / Stage 1-2 ZWL$	Total ZWL$	Specific allowance / Stage 3 ZWL$	Collective allowance / Stage 1-2 ZWL$	Total ZWL$
Balance at 1 January	2 502 159	9 970 515	12 472 674	5 503 066	9 734 763	15 237 829
Change on initial application of IFRS 9	-	-	-	(993 577)	258 513	(735 064)
Increase in impairment allowance	1 737 894	29 781 871	31 519 765	699 607	86 150	785 757
Impairment reversal	(499 347)	(78 442)	(577 789)	(342 372)	342 372	-
Write off	(450 932)	-	(450 932)	(703 505)	-	(703 505)
Interest in suspense	-	-	-	(1 661 060)	(451 283)	(2 112 343)
	3 289 774	**39 673 944**	**42 963 718**	**2 502 159**	**9 970 515**	**12 472 674**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
34.1.2 Trade and other receivables including insurance receivables				
Past due and impaired	3 306 659	6 788 231	3 306 659	1 092 849
Allowance for impairment	(3 306 659)	(4 740 138)	(3 306 659)	(763 123)
Carrying amount	**-**	**2 048 093**	**-**	**329 726**
Past due but not impaired	33 361 307	10 514 737	33 361 307	1 692 786
Neither past due nor impaired	70 130 942	67 802 301	70 905 125	10 920 066
Gross amount, not impaired	**103 492 249**	**78 317 038**	**104 266 432**	**12 612 852**
Allowance for impairment	(122 109)	-	(122 109)	-
Carrying amount, not impaired	**103 370 140**	**78 317 038**	**104 144 323**	**12 612 852**
Total carrying amount	**103 370 140**	**80 365 131**	**104 144 323**	**12 942 578**

As at 31 December 2019, trade receivables amounting to ZWL$33 361 307 (2018 : ZWL$10 514 737) in inflation adjusted terms and ZWL$33 361 307 (ZWL$1 692 786) in historical cost terms were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2019 trade receivables amounting to ZWL$3 306 659 (2018: ZWL$6 788 232) in inflation adjusted terms and ZWL$3 306 659 (2018: ZWL$1 092 849) in historical cost terms were impaired. The amount of the allowance was ZWL$3 306 659 as at 31 December 2019 (2018: ZWL$4 740 139) in inflation adjusted terms and ZWL$3 306 659 (2018: ZWL$763 123) in historical cost terms. The individually impaired receivables mainly relate to lapsed insurance policies. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Over 6 months	3 306 659	6 788 231	3 306 659	1 092 849
Reconciliation of the allowance for impairment of trade receivables including insurance receivables				
Allowances for impairment				
Balance as at 1 January	4 740 138	2 567 834	763 123	413 400
Effects of IAS29	(3 977 015)	-	-	-
Allowance for trade receivables including insurance receivables' impairment	2 661 923	3 364 391	2 661 923	541 639
Receivables written off during the year as uncollectable	3 722	(1 192 087)	3 722	(191 916)
Balance as at 31 December	**3 428 768**	**4 740 138**	**3 428 768**	**763 123**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

34.1.3 Bonds and Debentures

	31-Dec-19				31-Dec-18			
	ECL staging Stage 1 12-month ECL ZWL$	ZWL$	ZWL$	ZWL$	ECL staging Stage 1 12-month ECL ZWL$	Stage 2 Lifetime ECL ZWL$	Stage 3 Lifetime ECL ZWL$	Total ZWL$
INFLATION ADJUSTED								
Credit grade								
Investment grade	122 134 866	-	-	122 134 866	1 404 754 809	-	-	1 404 754 809
Standard monitoring	-	-	-	-	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross Bonds and Debentures	**122 134 866**	**-**	**-**	**122 134 866**	**1 404 754 809**	**-**	**-**	**1 404 754 809**
Impairment allowance	(624 232)	-	-	(624 232)	(7 007 515)	-	-	(7 007 515)
Net Bonds and Debentures	**121 510 634**	**-**	**-**	**121 510 634**	**1 397 747 294**	**-**	**-**	**1 397 747 294**
Analysis								
Gross amount								
Balance as at 1 January	**1 404 754 809**	**-**	**-**	**1 404 754 809**	**171 646 787**	**-**	**-**	**171 646 787**
Effects of IAS29	(1 178 060 784)			(1 178 060 784)				
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
New issue	25 684 000	-	-	25 684 000	2 214 958 730	-	-	2 214 958 730
Repayments	(130 243 159)	-	-	(130 243 159)	(981 850 708)	-	-	(981 850 708)
Amounts written off during the year as uncollectible	-	-	-	-	-	-	-	-
Balance as at 31 December	**122 134 866**		**-**	**122 134 866**	**1 404 754 809**	**-**	**-**	**1 404 754 809**
Impairment								
Balance as at 1 January	**1 128 152**	**-**	**-**	**1 128 152**	**-**	**-**	**-**	**-**
Changes on initial application of IFRS 9	-	-	-		1 414 594	-	-	1 414 594
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
Net change due to new issues and repayments	(503 920)	-	-	(503 920)	5 592 921	-	-	5 592 921
Balance as at December	**624 232**			**624 232**	**7 007 515**	**-**	**-**	**7 007 515**
HISTORICAL COST								
Credit grade								
Investment grade	122 134 866	-		122 134 866	226 694 025	-	-	226 694 025
Standard monitoring	-	-		-	-	-	-	-
Special monitoring	-	-		-	-	-	-	-
Default	-	-		-	-	-	-	-
Gross Bonds and Debentures	**122 134 866**	**-**	**-**	**122 134 866**	**226 694 025**	**-**	**-**	**226 694 025**
Impairment allowance	(624 232)			(624 232)	(1 128 152)	-	-	(1 128 152)
Net Bonds and Debentures	**121 510 634**	**-**	**-**	**121 510 634**	**225 565 873**	**-**	**-**	**225 565 873**
Analysis								
Gross amount								
Balance as at 1 January	**226 694 025**	**-**	**-**	**226 694 025**	**27 633 715**	**-**	**-**	**27 633 715**
Transfers	-				-	-	-	
Stage 1	-				-	-	-	
Stage 2	-				-	-	-	
Stage 3	-				-	-	-	
New issue	25 684 000			25 684 000	357 130 164	-	-	357 130 164
Repayments	(130 243 159)			(130 243 159)	(158 069 854)	-	-	(158 069 854)
Amounts written off during the year as uncollectible	-			-	-	-	-	-
Balance as at 31 December	**122 134 866**		**-**	**122 134 866**	**226 694 025**	**-**	**-**	**226 694 025**
Impairment								
Balance as at 1 January	**1 128 152**	**-**	**-**	**1 128 152**	**-**	**-**	**-**	**-**
Changes on initial application of IFRS 9	-	-	-		227 738	-	-	227 738
Transfers	-	-	-		-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
Net change due to new issues and repayments	(503 920)	-	-	(503 920)	900 414	-	-	900 414
Interest in suspense (reclassifaction)	-	-	-	-	-	-	-	-
Changes in parameters	-	-	-	-	-	-	-	-
Amounts written off during the year as uncollectible	-	-	-	-	-	-	-	-
Balance as at December	**624 232**	**-**	**-**	**624 232**	**1 128 152**	**-**	**-**	**1 128 152**

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34.1.4 Financial assets at amortised cost

	31-Dec-19				31-Dec-18			
	ECL staging Stage 1 12-month ECL ZWL$	ZWL$	ZWL$	ZWL$	ECL staging Stage 1 12-month ECL ZWL$	Stage 2 Lifetime ECL ZWL$	Stage 3 Lifetime ECL ZWL$	Total ZWL$
INFLATION ADJUSTED								
Credit grade								
Investment grade	191 695 608	-	-	191 695 608	1 163 087 606	-	-	1 163 087 606
Standard monitoring	-	-	-	-	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross financial assets at amortised cost	**191 695 608**	**-**	**-**	**191 695 608**	**1 163 087 606**	**-**	**-**	**1 163 087 606**
Impairment allowance	(965 342)	-	-	(965 342)	(5 353 579)	-	-	(5 353 579)
Net financial asset at amortised cost	**190 730 266**	**-**	**-**	**190 730 266**	**1 157 734 027**	**-**	**-**	**1 157 734 027**
Analysis								
Gross amount								
Balance as at 1 January	**1 163 087 606**	**-**	**-**	**1 163 087 606**	**701 146 673**	**-**	**-**	**701 146 673**
Effects of IAS29	(976 157 428)			(976 157 428)				
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
New issue	230 807 355	-	-	230 807 355	657 218 380	-	-	657 218 380
Repayments	(226 041 925)	-	-	(226 041 925)	(195 277 447)	-	-	(195 277 447)
Amounts written off during the year as uncollectible	-	-	-	-	-	-	-	
Balance as at 31 December	**191 695 608**	**-**	**-**	**191 695 608**	**1 163 087 606**	**-**	**-**	**1 163 087 606**
Impairment								
Balance as at 1 January	**5 353 579**	**-**	**-**	**5 353 579**	**-**	**-**	**-**	**-**
Changes on initial application of IFRS 9	-	-	-	-	3 144 362	-	-	3 144 362
Effects of IAS29	(4 491 697)			(4 491 697)				
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
Net change due to new issues and repayments	117 432	-	-	117 432	2 209 217	-	-	2 209 217
Amounts written off during the year as uncollectible	(13 972)	-	-	(13 972)	-	-	-	-
Balance as at 31 December	**965 342**	**-**	**-**	**965 342**	**5 353 579**	**-**	**-**	**5 353 579**
HISTORICAL COST								
Credit grade								
Investment grade	191 695 608			191 695 608	186 930 178	-	-	186 930 178
Standard monitoring	-			-	-	-	-	-
Special monitoring	-			-	-	-	-	-
Default	-			-	-	-	-	-
Gross financial assets at amortised cost	**191 695 608**	**-**	**-**	**191 695 608**	**186 930 178**	**-**	**-**	**186 930 178**
Impairment allowance	(965 342)			(965 342)	(861 882)	-	-	(861 882)
Net financial asset at amortised cost	**190 730 266**	**-**	**-**	**190 730 266**	**186 068 296**	**-**	**-**	**186 068 296**
Analysis								
Gross amount								
Balance as at 1 January	**186 930 178**	**-**	**-**	**186 930 178**	**112 878 823**	**-**	**-**	**112 878 823**
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
New issue	230 807 355	-	-	230 807 355	105 489 411	-	-	105 489 411
Repayments	(226 041 925)	-	-	(226 041 925)	(31 438 056)	-	-	(31 438 056)
Amounts written off during the year as uncollectible	-	-	-	-	-	-	-	
Balance as at 31 December	**191 695 608**	**-**	**-**	**191 695 608**	**186 930 178**	**-**	**-**	**186 930 178**
Impairment								
Balance as at 1 January	**861 882**	**-**	**-**	**861 882**	**-**	**-**	**-**	**-**
Changes on initial application of IFRS 9	-	-	-	-	506 216	-	-	506 216
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
Net change due to new issues and repayments	117 432	-	-	117 432	355 666	-	-	355 666
Interest in suspense (reclassification)	-	-	-	-	-	-	-	-
Changes in parameters	-	-	-	-	-	-	-	-
Amounts written off during the year as uncollectible	(13 972)	-	-	(13 972)	-	-	-	-
Balance as at 31 December	**965 342**	**-**	**-**	**965 342**	**861 882**	**-**	**-**	**861 882**

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34.1.5 Credit exposure on undrawn loan commitments and guarantees

	31-Dec-19				31-Dec-18			
	ECL staging Stage 1 12-month ZWL$	Stage 2 Lifetime ZWL$	Stage 3 Lifetime ZWL$	ZWL$	ECL staging Stage 1 12-month ZWL$	Stage 2 Lifetime ZWL$	Stage 3 Lifetime ZWL$	Total ZWL$
INFLATION ADJUSTED								
Credit grade								
Investment grade	577 533 657	-	-	577 533 657	279 739 488	-	-	279 739 488
Standard monitoring	-	-	-	-	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross undrawn loan commitments and guarantees	**577 533 657**	**-**	**-**	**577 533 657**	**279 739 488**	**-**	**-**	**279 739 488**
Impairment allowance	(158 522)	-	-	(158 522)	(854 305)	-	-	(854 305)
Net undrawn loan commitments and guarantees	**577 375 135**	**-**	**-**	**577 375 135**	**278 885 183**	**-**	**-**	**278 885 183**
Analysis								
Gross amount								
Balance as at 1 January	**279 739 488**	**-**	**-**	**279 739 488**	**138 530 284**	**-**	**-**	**138 530 284**
Effects of IAS29	**(234 703 741)**			**(234 703 741)**				
Transfers	-			-	-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
New issue	589 284 093	-	-	589 284 093	199 513 624	-	-	199 513 624
Repayments	(56 786 183)	-	-	(56 786 183)	(58 304 420)	-	-	(58 304 420)
Amounts written off during the year as uncollectible	-	-	-	-	-	-	-	-
Balance as at 31 December	**577 533 657**	**-**	**-**	**577 533 657**	**279 739 488**	**-**	**-**	**279 739 488**
Impairment								
Balance as at 1 January	**854 305**	**-**	**-**	**854 305**	**-**	**-**	**-**	**-**
Changes on initial application of IFRS 9	-	-	-	-	1 291 065	-	-	1 291 065
Effects of IAS29	(716 769)			(716 769)				
Transfers	-			-	-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
Net change due to new issues and repayments	20 986	-	-	20 986	(436 760)	-	-	(436 760)
Balance as at 31 December	**158 522**	**-**	**-**	**158 522**	**854 305**	**-**	**-**	**854 305**
HISTORICAL COST								
Credit grade								
Investment grade	577 533 657			577 533 657	45 035 747	-	-	45 035 747
Standard monitoring	-			-	-	-	-	-
Special monitoring	-			-	-	-	-	-
Default	-			-	-	-	-	-
Gross undrawn loan commitments and guarantees	**577 533 657**	**-**	**-**	**577 533 657**	**45 035 747**	**-**	**-**	**45 035 747**
Impairment allowance	(158 522)	-	-	(158 522)	(137 536)	-	-	(137 536)
Net undrawn loan commitments and guarantees	**577 375 135**	**-**	**-**	**577 375 135**	**44 898 211**	**-**	**-**	**45 173 283**
Analysis								
Gross amount								
Balance as at 1 January	**45 035 747**	**-**	**-**	**45 035 747**	**22 302 231**	**-**	**-**	**22 302 231**
Transfers	-			-	-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
New issue	589 284 093	-	-	589 284 093	32 120 046	-	-	32 120 046
Repayments	(56 786 183)	-	-	(56 786 183)	(9 386 530)	-	-	(9 386 530)
Amounts written off during the year as uncollectible	-	-	-	-	-	-	-	-
Balance as at 31 December	**577 533 657**	**-**	**-**	**577 533 657**	**45 035 747**	**-**	**-**	**45 035 747**
Impairment								
Balance as at 1 January	**137 536**	**-**	**-**	**137 536**	**-**	**-**	**-**	**-**
Changes on initial application of IFRS 9	-	-	-	-	207 591	-	-	207 591
Transfers	-				-	-	-	
Stage 1	-	-	-		-	-	-	
Stage 2	-	-	-		-	-	-	
Stage 3	-	-	-		-	-	-	
Net change due to new issues and repayments	20 986	-	-	20 986	(70 055)	-	-	(70 055)
Balance as at 31 December	**158 522**	**-**	**-**	**158 522**	**137 536**	**-**	**-**	**137 536**

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	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
34.1.6 Maximum exposure to credit risk before collateral held or other credit enhancement				
Credit risk exposures relating to on-balance sheet assets are as follows;				
Loans and advances to customers;				
- Individuals	167 265 480	644 763 824	167 265 480	103 801 650
- Corporates	2 436 642 436	1 954 887 080	2 436 618 537	314 179 355
	2 603 907 916	**2 599 650 904**	**2 603 884 017**	**417 981 005**
Financial assets at amortised cost	191 695 608	1 163 087 606	191 695 608	186 930 178
Balances with banks	1 630 179 830	1 135 233 623	1 630 179 830	183 240 317
Bonds and debentures	122 134 866	1 404 754 809	122 134 866	226 694 025
Trade and other receivables including insurance receivables	106 798 908	85 105 269	107 573 091	13 705 701
Total on balance sheet	**4 654 717 128**	**6 387 832 211**	**4 655 467 412**	**1 028 551 226**
Off balance sheet credit exposure				
- Financial guarantees and letters of credit	554 738 163	162 909 873	554 738 163	26 227 144
- Loan commitments	22 795 494	116 829 616	22 795 494	18 808 603
Total off balance sheet credit exposure	**577 533 657**	**279 739 489**	**577 533 657**	**45 035 747**
Total credit exposure	**5 232 250 785**	**6 667 571 700**	**5 233 001 069**	**1 073 586 973**

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

Credit quality of balances with other banks		INFLATION ADJUSTED		HISTORICAL COST	
Counterparties with external credit rating		31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Rating	**Agency**				
Aa3	Moody's	293 012 730	102 533 505	293 012 730	16 507 047
A+	S&P	-	37 000 437	-	5 956 765
Baa3	Fitch	168 255 456	14 747 012	168 255 456	2 374 147
Baa1	Moody's	244 453	680 954	244 453	109 628
BB	S&P	4 198 851	2 827 324	4 198 851	455 176
BBB+	GCR	38 636 908	68 057 516	38 636 908	10 956 698
A-	GCR	363 300 451	79 789 944	363 300 451	12 845 522
A-1	S&P	-	17 369 761	-	2 796 388
		867 648 849	**323 006 453**	**867 648 849**	**52 001 371**

Balances with the Reserve Bank of Zimbabwe

Balances with the RBZ represent amounts in current accounts available for daily transactional use. As at the reporting date, the amount has been considered to be recoverable in full.

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Write-off policy
The Group writes off an irrecoverable debt when the Board Credit Committee of the subsidiary determines that the debt is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, write off decisions are generally based on a product specific past due status.

Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital payment obligations and by changes to these lending limits where appropriate.

34.2 Liquidity risk
Liquidity risk is the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities, settle claims and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

Management of liquidity risk
The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the subsidiary companies through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and their Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Managers for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

Liquidity and funding management
The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt the liquidity policy approved by the Board with independent monitoring being provided by the Group Risk Management Department. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for banking subsidiaries.

Cash flow and maturity profile analysis
The Group uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile.

Liquidity contingency plans
In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

Liquidity stress testing
It is the Group's policy that each entity conducts stress tests on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. In this regard, anticipated on-and-off balance sheet cash flows are subjected to a variety of specific and systemic stress scenarios during the period in an effort to evaluate the impact of unlikely events on liquidity positions. The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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INFLATION ADJUSTED

Contractual maturity analysis **On balance sheet items as at 31 December 2019**	**3 months** **ZWL$**	**to 1 year** **ZWL$**	**1 year** **ZWL$**	**Total** **ZWL$**
Liabilities				
Deposits from customers	2 003 134 669	14 062 828	7 677 017	2 024 874 514
Deposits from other banks	192 266 137	2 874 852	-	195 140 989
Borrowings	2 875 744	36 725 235	1 682 730 807	1 722 331 786
Insurance liabilities	23 855 091	21 097 811	55 679 116	100 632 018
Current income tax liabilities	472 725	3 245 166	-	3 717 891
Trade and other liabilities excluding deferred income	406 563 321	409 302 284	60 645 726	876 511 331
Total liabilities - (contractual maturity)	**2 629 167 687**	**487 308 176**	**1 806 732 666**	**4 923 208 529**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	1 907 906 680	-	-	1 907 906 680
Financial assets at amortised cost	5 627 650	109 260 339	75 842 277	190 730 266
Loans and advances to customers	273 706 839	573 090 202	1 714 147 157	2 560 944 198
Bonds and debentures	-	100 000 000	21 510 634	121 510 634
Trade and other receivables including insurance receivables	19 495 725	49 401 965	34 472 450	103 370 140
Financial assets at fair value through profit or loss	16 825 019	-	38 107 590	54 932 609
Financial assets at fair value through other comprehensive income	-	-	14 869 971	14 869 971
Other assets excluding time share assets, deferred acquisition costs, stationery and prepayments	190 090 017	14 061 562	87 212 656	291 364 235
	2 413 651 930	**845 814 068**	**1 986 162 735**	**5 245 628 733**
Liquidity gap	**(215 515 757)**	**358 505 892**	**179 430 069**	**322 420 204**
Cumulative liquidity gap - on balance sheet	**(215 515 757)**	**142 990 135**	**322 420 204**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	554 738 163	-	554 738 163
Commitments to lend	22 795 494	-	-	22 795 494
Total liabilities	**22 795 494**	**554 738 163**	**-**	**577 533 657**
Liquidity gap	**(22 795 494)**	**(554 738 163)**	**-**	**(255 113 453)**
Cumulative liquidity gap - on and off balance sheet	**(238 311 251)**	**(434 543 522)**	**(255 113 453)**	**-**

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INFLATION ADJUSTED

Contractual maturity analysis On balance sheet items as at 31 December 2018	3 months ZWL$	to 1 year ZWL$	1 year ZWL$	Total ZWL$
Liabilities				
Deposits from customers	3 487 171 147	362 985 107	50 042 363	3 900 198 617
Deposits from other banks	681 283 466	167 041 893	26 709 445	875 034 804
Borrowings	5 072 068	26 000 284	617 411 228	648 483 580
Insurance liabilities	17 450 895	16 634 937	62 481 637	96 567 469
Current income tax liabilities	2 422 344	1 574 304	-	3 996 648
Trade and other liabilities excluding deferred income	57 804 966	133 296 849	95 546 551	286 648 366
Total liabilities - (contractual maturity)	**4 251 204 886**	**707 533 374**	**852 191 224**	**5 810 929 484**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	1 190 946 201	-	-	1 190 946 201
Financial assets at amortised cost	106 759 844	876 728 745	174 245 438	1 157 734 027
Loans and advances to customers	328 431 565	1 159 952 145	1 033 793 194	2 522 176 904
Bonds and debentures	129 552 747	842 361 170	425 833 377	1 397 747 294
Trade and other receivables including insurance receivables	8 108 503	32 764 983	39 491 645	80 365 131
Financial assets at fair value through profit or loss	23 362 081	57 461 830	-	80 823 911
Financial assets at fair value through other comprehensive income	-	-	12 824 894	12 824 894
Other assets excluding time share assets, deferred acquisition costs, stationery and prepayments	16 789 445	25 455 860	44 945 102	87 190 407
	1 803 950 386	**2 994 724 733**	**1 731 133 650**	**6 529 808 769**
Liquidity gap	**(2 447 254 500)**	**2 287 191 359**	**878 942 426**	**718 879 285**
Cumulative liquidity gap - on balance sheet	**(2 447 254 500)**	**(160 063 141)**	**718 879 285**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	162 909 873	-	162 909 873
Commitments to lend	116 829 615	-	-	116 829 615
Total liabilities	**116 829 615**	**162 909 873**	**-**	**279 739 488**
Liquidity gap	**(116 829 615)**	**(162 909 873)**	**-**	**439 139 797**
Cumulative liquidity gap - on and off balance sheet	**(2 564 084 115)**	**(439 802 629)**	**439 139 797**	**-**

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HISTORICAL COST Contractual maturity analysis On balance sheet items as at 31 December 2019	Up to 3 months ZWL$	3 months to 1 year ZWL$	Over 1 year ZWL$	Total ZWL$
Liabilities				
Deposits from customers	2 003 134 669	14 062 828	7 677 017	2 024 874 514
Deposits from other banks	192 266 137	2 874 852	-	195 140 989
Borrowings	2 875 744	36 725 235	1 682 730 807	1 722 331 786
Insurance liabilities	7 022 401	21 097 811	23 213 020	51 333 232
Current income tax liabilities	305 678	3 100 307	-	3 405 985
Trade and other liabilities excluding deferred income	406 563 321	401 075 098	45 813 309	853 451 728
Total liabilities - (contractual maturity)	**2 612 167 950**	**478 936 131**	**1 759 434 153**	**4 850 538 234**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	1 907 906 680	-	-	1 907 906 680
Financial assets at amortised cost	5 627 650	109 260 339	75 842 277	190 730 266
Loans and advances to customers	273 706 839	573 090 202	1 714 123 258	2 560 920 299
Bonds and debentures	-	100 000 000	21 510 634	121 510 634
Trade and other receivables including insurance receivables	20 269 903	49 401 965	34 472 455	104 144 323
Financial assets at fair value through profit or loss	16 825 019	-	40 935 612	57 760 631
Financial assets at fair value through other comprehensive income	-	-	14 869 971	14 869 971
Other assets excluding time share assets, deferred acquisition costs, stationery and prepayments	178 248 631	14 178 028	90 653 040	283 079 699
	2 402 584 722	**845 930 534**	**1 992 407 247**	**5 240 922 503**
Liquidity gap	**(209 583 228)**	**366 994 403**	**232 973 094**	**390 384 269**
Cumulative liquidity gap - on balance sheet	**(209 583 228)**	**157 411 175**	**390 384 269**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	554 738 163	-	554 738 163
Commitments to lend	22 795 494	-	-	22 795 494
Total liabilities	**22 795 494**	**554 738 163**	**-**	**577 533 657**
Liquidity gap	**(22 795 494)**	**(554 738 163)**	**-**	**(187 149 388)**
Cumulative liquidity gap - on and off balance sheet	**(232 378 722)**	**(420 122 482)**	**(187 149 388)**	**-**

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HISTORICAL COST Contractual maturity analysis On balance sheet items as at 31 December 2018	Up to 3 months ZWL$	3 months to 1 year ZWL$	Over 1 year ZWL$	Total ZWL$
Liabilities				
Deposits from customers	561 405 751	58 437 604	8 056 407	627 899 762
Deposits from other banks	109 681 011	26 892 365	4 300 000	140 873 376
Borrowings	816 561	4 185 831	99 398 108	104 400 500
Insurance liabilities	2 214 090	4 658 087	7 049 725	13 921 902
Current income tax liabilities	389 979	253 450	-	643 429
Trade and other liabilities excluding deferred income	23 537 919	4 688 025	13 779 750	42 005 694
Total liabilities - (contractual maturity)	**698 045 311**	**99 115 362**	**132 583 990**	**929 744 663**
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	192 209 582	-	-	192 209 582
Financial assets held to maturity	17 187 454	140 828 766	28 052 076	186 068 296
Loans and advances to customers	56 688 897	186 742 714	162 076 720	405 508 331
Bonds and debentures	21 397 026	135 613 191	68 555 656	225 565 873
Trade and other receivables including insurance receivables	2 209 738	4 375 011	6 357 829	12 942 578
Financial assets at fair value through profit or loss	4 362 204	4 520 378	167 320	9 049 902
Financial assets at fair value through other comprehensive income	-	-	2 064 702	2 064 702
Other assets excluding time share assets, deferred acquisition costs, stationery and prepayments	2 702 962	3 504 834	6 097 622	12 305 418
	296 757 863	**475 584 894**	**273 371 925**	**1 045 714 682**
Liquidity gap	**(401 287 448)**	**376 469 532**	**140 787 935**	**115 970 019**
Cumulative liquidity gap - on balance sheet	**(401 287 448)**	**(24 817 916)**	**115 970 019**	**-**
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	26 227 144	-	26 227 144
Commitments to lend	18 808 603	-	-	18 808 603
Total liabilities	**18 808 603**	**26 227 144**	**-**	**45 035 747**
Liquidity gap	**(18 808 603)**	**(26 227 144)**	**-**	**70 934 272**
Cumulative liquidity gap - on and off balance sheet	**(420 096 051)**	**(69 853 663)**	**70 934 272**	**-**

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

Management of liquidity gap on short-term maturities

The cash flows presented above reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group therefore seeks to manage its liabilities both on a contractual and behavioural basis. The Group prescribes various liquidity stress scenarios as part of stress testing that include accelerated withdrawal of deposits over a period of time and prescribed measures are in place to ensure that cash inflows exceed outflows under such scenarios.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

34.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non–trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 34.3.1 to 34.3.3.

34.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis. The Group's policy is to monitor positions on a daily basis to ensure positions are maintained within the established limits.

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:

i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.

ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired.

This risk is managed by ALCO through the analysis of interest rate sensitive assets and liabilities, using such models as Value at Risk ("VAR"), Scenario Analysis and control and management of the gap analysis.

Scenario analysis of net interest income

The Group's trading book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analyzing the impact of a shift in the yield curve on the Group's interest income, the Group recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then conducted to give an appreciation of the distribution of future net interest income and economic value of equity as well as their respective expected values.

Impact on earnings as at 31 December

Scenario :	INFLATION ADJUSTED				HISTORICAL COST			
	2019		2018		2019		2018	
5% increase in interest rates	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$	ZWL$
Assets	3 283 145 124	12 336 633	5 308 209 265	19 945 945	3 283 121 225	12 336 543	854 259 313	6 567 327
Liabilities	2 117 110 996	(2 501 385)	2 278 792 195	(2 692 413)	2 117 110 996	(2 501 385)	366 866 721	(422 500)
Net effect		9 835 248		17 253 532		9 835 158		6 144 827

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period. A 5% increase is based on past experience.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

34.3.1 Interest Rate Risk (continued)

INFLATION ADJUSTED

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2019

	0 - 30 days ZWL$	31 - 90 days ZWL$	91-180 days ZWL$	181-365 days ZWL$	Over 365 days ZWL$	Non-interest bearing ZWL$	Total ZWL$
Assets							
Balances with other banks and cash	298 122 013	111 838 013	-	-	-	1 497 946 654	1 907 906 680
Financial assets at amortised cost	3 500 000	2 127 650	86 300 621	98 801 995	-	-	190 730 266
Loans and advances to customers	644 140 468	510 830	103 547 880	157 222 554	1 655 522 466	-	2 560 944 198
Trade and other receivables including insurance receivables	-	-	-	-	-	103 370 140	103 370 140
Bonds and debentures	121 510 634	-	-	-	-	-	121 510 634
Financial assets at fair value through profit or loss	-	-	-	-	-	54 932 609	54 932 609
Financial assets at fair value through other comprehensive income	-	-	-	-	-	14 869 971	14 869 971
Inventory	-	-	-	-	-	65 962 780	65 962 780
Prepayments and other assets	-	-	-	-	-	360 690 712	360 690 712
Current income tax asset	-	-	-	-	-	40 041	40 041
Deferred income tax assets	-	-	-	-	-	512 446	512 446
Investment property	-	-	-	-	-	154 282 658	154 282 658
Intangible assets	-	-	-	-	-	200 448 102	200 448 102
Property and equipment	-	-	-	-	-	458 243 138	458 243 138
Right of use asset	-	-	-	-	-	22 356 696	22 356 696
Total assets	**1 067 273 115**	**114 476 493**	**189 848 501**	**256 024 549**	**1 655 522 466**	**2 933 655 947**	**6 216 801 071**
Liabilities							
Deposits from customers	133 961 476	55 999 728	-	2 000 000	7 677 017	1 825 236 293	2 024 874 514
Deposits from other banks	145 433 874	46 832 263	450 000	2 424 852	-	-	195 140 989
Borrowings	25 881 691	1 093 141	1 181 733	25 823 132	1 668 352 089	-	1 722 331 786
Insurance liabilities	-	-	-	-	-	100 632 018	100 632 018
Trade and other payables	-	-	-	-	-	880 058 825	880 058 825
Current income tax liabilities	-	-	-	-	-	3 717 891	3 717 891
Deferred income tax liabilities	-	-	-	-	-	272 768 912	272 768 912
Lease liability	-	-	-	-	-	7 974 372	7 974 372
Shareholder equity	-	-	-	-	-	1 009 301 764	1 009 301 764
Total liabilities	**305 277 041**	**103 925 132**	**1 631 733**	**30 247 984**	**1 676 029 106**	**4 099 690 075**	**6 216 801 071**
Interest rate repricing gap	**761 996 074**	**10 551 361**	**188 216 768**	**225 776 565**	**(20 506 640)**	**(1 166 034 128)**	**-**
Cumulative gap interest rate repricing gap	**761 996 074**	**772 547 435**	**960 764 203**	**1 186 540 768**	**1 166 034 128**	**-**	

Total position as at 31 December 2018

	0 - 30 days ZWL$	31 - 90 days ZWL$	91-180 days ZWL$	181-365 days ZWL$	Over 365 days ZWL$	Non-interest bearing ZWL$	Total ZWL$
Assets							
Balances with other banks and cash	199 416 548	31 134 492	-	-	-	960 395 161	1 190 946 201
Financial assets at amortised cost	32 926 597	180 863 260	547 974 298	329 785 155	66 184 717	-	1 157 734 027
Loans and advances to customers	684 390 683	162 924 247	291 754 583	621 517 147	761 590 244	-	2 522 176 904
Trade and other receivables including insurance receivables	-	-	-	-	-	80 365 131	80 365 131
Bonds and debentures	60 664 569	-	258 807 656	334 480 062	743 795 007	-	1 397 747 294
Financial assets at fair value through profit or loss	-	-	-	-	-	80 823 911	80 823 911
Financial assets at fair value through other comprehensive income	-	-	-	-	-	12 824 894	12 824 894
Inventory	-	-	-	-	-	68 084 741	68 084 741
Prepayments and other assets	-	-	-	-	-	122 650 767	122 650 767
Current income tax asset	-	-	-	-	-	915 081	915 081
Deferred income tax assets	-	-	-	-	-	27 602 682	27 602 682
Investment property	-	-	-	-	-	54 897 226	54 897 226
Intangible assets	-	-	-	-	-	17 264 142	17 264 142
Property and equipment	-	-	-	-	-	298 083 719	298 083 719
Right of use asset	-	-	-	-	-	-	-
Total assets	**977 398 397**	**374 921 999**	**1 098 536 537**	**1 285 782 364**	**1 571 569 968**	**1 723 907 455**	**7 032 116 720**
Liabilities							
Deposits from customers	408 007 280	310 398 987	21 557 870	1 019 077	14 290 597	3 144 924 806	3 900 198 617
Deposits from other banks	491 935 629	142 313 332	109 662 837	99 641 510	31 481 496	-	875 034 804
Borrowings	12 760 884	3 502 422	3 579 482	19 597 397	609 043 395	-	648 483 580
Insurance liabilities	-	-	-	-	-	96 567 469	96 567 469
Trade and other payables	-	-	-	-	-	298 226 697	298 226 697
Current income tax liabilities	-	-	-	-	-	3 996 648	3 996 648
Deferred income tax liabilities	-	-	-	-	-	11 095 464	11 095 464
Lease liability	-	-	-	-	-	-	-
Shareholder equity	-	-	-	-	-	1 198 513 441	1 198 513 441
Total liabilities	**912 703 793**	**456 214 741**	**134 800 189**	**120 257 984**	**654 815 488**	**4 753 324 525**	**7 032 116 720**
Interest rate repricing gap	**64 694 604**	**(81 292 742)**	**963 736 348**	**1 165 524 380**	**916 754 480**	**(3 029 417 070)**	**-**
Cumulative gap interest rate repricing gap	**64 694 604**	**(16 598 138)**	**947 138 210**	**2 112 662 590**	**3 029 417 070**	**-**	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

34.3.1 Interest Rate Risk (continued)

HISTORICAL COST

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2019

	0 - 30 days ZWL$	31 - 90 days ZWL$	91-180 days ZWL$	181-365 days ZWL$	Over 365 days ZWL$	Non-interest bearing ZWL$	Total ZWL$
Assets							
Balances with other banks and cash	298 122 013	111 838 013	-	-	-	1 497 946 654	1 907 906 680
Financial assets at amortised cost	3 500 000	2 127 650	86 300 621	98 801 995	-	-	190 730 266
Loans and advances to customers	644 116 569	510 830	103 547 880	157 222 554	1 655 522 466	-	2 560 920 299
Trade and other receivables including insurance receivables	-	-	-	-	-	104 144 323	104 144 323
Bonds and debentures	121 510 634	-	-	-	-	-	121 510 634
Financial assets at fair value through profit or loss	-	-	-	-	-	57 760 631	57 760 631
Financial assets at fair value throug other comprehensive income	-	-	-	-	-	14 869 971	14 869 971
Inventory	-	-	-	-	-	13 525 576	13 525 576
Prepayments and other assets	-	-	-	-	-	318 540 053	318 540 053
Current income tax asset	-	-	-	-	-	40 041	40 041
Deferred income tax assets	-	-	-	-	-	59 509	59 509
Investment property	-	-	-	-	-	154 282 658	154 282 658
Intangible assets	-	-	-	-	-	200 426 701	200 426 701
Property and equipment	-	-	-	-	-	458 243 138	458 243 138
Right of use asset	-	-	-	-	-	7 865 553	7 865 553
Total assets	**1 067 249 216**	**114 476 493**	**189 848 501**	**256 024 549**	**1 655 522 466**	**2 827 704 808**	**6 110 826 033**
Liabilities							
Deposits from customers	133 961 476	55 999 728	-	2 000 000	7 677 017	1 825 236 293	2 024 874 514
Deposits from other banks	145 433 874	46 832 263	450 000	2 424 852	-	-	195 140 989
Borrowings	25 881 691	1 093 141	1 181 733	25 823 132	1 668 352 089	-	1 722 331 786
Insurance liabilities	-	-	-	-	-	51 333 232	51 333 232
Trade and other payables	-	-	-	-	-	865 030 059	865 030 059
Current income tax liabilities	-	-	-	-	-	3 405 985	3 405 985
Deferred income tax liabilities	-	-	-	-	-	290 265 625	290 265 625
Lease liability	-	-	-	-	-	7 974 372	7 974 372
Shareholder equity	-	-	-	-	-	950 469 471	950 469 471
Total liabilities	**305 277 041**	**103 925 132**	**1 631 733**	**30 247 984**	**1 676 029 106**	**3 993 715 037**	**6 110 826 033**
Interest rate repricing gap	**761 972 175**	**10 551 361**	**188 216 768**	**225 776 565**	**(20 506 640)**	**(1 166 010 229)**	**-**
Cumulative gap interest rate repricing gap	**761 972 175**	**772 523 536**	**960 740 304**	**1 186 516 869**	**1 166 010 229**	**-**	

Total position as at 31 December 2018

	0 - 30 days ZWL$	31 - 90 days ZWL$	91-180 days ZWL$	181-365 days ZWL$	Over 365 days ZWL$	Non-interest bearing ZWL$	Total ZWL$
Assets							
Balances with other banks and cash	32 104 417	5 012 396	-	-	-	155 092 769	192 209 582
Financial assets at amortised cost	5 300 910	29 117 491	88 219 336	53 092 686	10 337 873	-	186 068 296
Loans and advances to customers	110 181 247	26 229 458	46 970 078	100 059 127	122 068 421	-	405 508 331
Trade and other receivables including insurance receivables	-	-	-	-	-	12 942 578	12 942 578
Bonds and debentures	9 766 495	-	41 665 895	53 848 527	120 284 956	-	225 565 873
Financial assets at fair value through profit or loss	-	-	-	-	-	9 049 902	9 049 902
Financial assets at fair value through other comprehensive income	-	-	-	-	-	2 064 702	2 064 702
Inventory	-	-	-	-	-	8 461 294	8 461 294
Prepayments and other assets	-	-	-	-	-	21 000 608	21 000 608
Current income tax asset	-	-	-	-	-	147 326	147 326
Deferred income tax assets	-	-	-	-	-	5 189 191	5 189 191
Investment property	-	-	-	-	-	8 838 000	8 838 000
Intangible assets	-	-	-	-	-	2 056 337	2 056 337
Property, plant and equipment	-	-	-	-	-	34 874 699	34 874 699
Total assets	**157 353 069**	**60 359 345**	**176 855 309**	**207 000 340**	**252 691 250**	**259 717 406**	**1 113 976 719**
Liabilities							
Deposits from customers	65 685 802	49 971 673	3 470 639	164 063	2 300 668	506 306 917	627 899 762
Deposits from other banks	79 197 573	22 911 271	17 654 811	16 041 460	5 068 261	-	140 873 376
Borrowings	2 054 397	563 861	576 267	3 155 019	98 050 956	-	104 400 500
Insurance liabilities	-	-	-	-	-	13 921 902	13 921 902
Trade and other payables	-	-	-	-	-	46 742 668	46 742 668
Current income tax liabilities	-	-	-	-	-	643 429	643 429
Deferred income tax liabilities	-	-	-	-	-	783 115	783 115
Shareholder equity	-	-	-	-	-	178 711 967	178 711 967
Total liabilities	**146 937 772**	**73 446 805**	**21 701 717**	**19 360 542**	**105 419 885**	**747 109 998**	**1 113 976 719**
Interest rate repricing gap	**10 415 297**	**(13 087 460)**	**155 153 592**	**187 639 798**	**147 271 365**	**(487 392 592)**	**-**
Cumulative gap interest rate repricing gap	**10 415 297**	**(2 672 163)**	**152 481 429**	**340 121 227**	**487 392 592**	**-**	

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For the year ended 31 December 2019

34.3.2 Currency risk

The Group operates locally and the majority of its customers transact in ZWL$, the functional currency of the Group and its subsidiaries. The Group is exposed to various currency exposures primarily with respect to the South African rand, Botswana pula, British pound, the Euro and United States dollar, mainly due to the cash holding and switch transactions in the banking subsidiary. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Group manages this risk through monitoring long and short positions and assessing the likely impact of forecast movements in exchange rates on the Group's profitability.

The table below indicates the extent to which the Group was exposed to currency risk.

INFLATION ADJUSTED

Foreign exchange gap analysis as at 31 December 2019

Base currency	USD	ZAR	EUR	BWP	GBP	TOTAL
Assets	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent
Balances with other banks and cash	1 027 879 110	78 849 603	13 077 772	220 602	1 842 805	1 121 869 892
Trade and other receivables	16 353 541	-	-	-	-	16 353 541
Loans and advances to customers	2 204 871 690	134 090	-	-	-	2 205 005 780
Total assets	**3 249 104 341**	**78 983 693**	**13 077 772**	**220 602**	**1 842 805**	**3 343 229 213**
Liabilities						
Deposits from customers	2 650 998 027	49 173 031	4 493 889	230 248	53 995	2 704 949 190
Trade and other payables	10 118 939	684	811 929	46	4 061	10 935 659
Total liabilities	**2 661 116 966**	**49 173 715**	**5 305 818**	**230 294**	**58 056**	**2 715 884 849**
Net currency position	**587 987 375**	**29 809 978**	**7 771 954**	**(9 692)**	**1 784 749**	**627 344 364**

Foreign exchange gap analysis as at 31 December 2018

Base currency	USD	ZAR	EUR	BWP	GBP	TOTAL
Assets	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent
Balances with other banks and cash	-	2 241 786	1 768 892	1 620 568	2 010 370	7 641 616
Trade and other receivables	-	30 778	863	87	472	32 200
Loans and advances to customers	-	12 293	2 957	-	1 485	16 735
Total assets	**-**	**2 284 857**	**1 772 712**	**1 620 655**	**2 012 327**	**7 690 551**
Liabilities						
Deposits from customers	-	2 451 734	109 826	27 039	22 753	2 611 352
Trade and other payables	-	530 089	894	280	1 155	532 418
Total liabilities	**-**	**2 981 823**	**110 720**	**27 319**	**23 908**	**3 143 770**
Net currency position	**-**	**(696 966)**	**1 661 992**	**1 593 336**	**1 988 419**	**4 546 781**

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HISTORICAL COST

Foreign exchange gap analysis as at 31 December 2019

Base currency	USD	ZAR	EUR	BWP	GBP	TOTAL
Assets	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent
Balances with other banks and cash	1 027 879 110	78 849 603	13 077 772	220 602	1 842 805	1 121 869 892
Trade and other receivables	16 353 541	-	-	-	-	16 353 541
Loans and advances to customers	2 204 871 690	134 090	-	-	-	2 205 005 780
Total assets	**3 249 104 341**	**78 983 693**	**13 077 772**	**220 602**	**1 842 805**	**3 343 229 213**
Liabilities						
Deposits from customers	2 650 998 027	49 173 031	4 493 889	230 248	53 995	2 704 949 190
Trade and other payables	10 118 939	684	811 929	46	4 061	10 935 659
Total liabilities	**2 661 116 966**	**49 173 715**	**5 305 818**	**230 294**	**58 056**	**2 715 884 849**
Net currency position	**587 987 375**	**29 809 978**	**7 771 954**	**(9 692)**	**1 784 749**	**627 344 364**

Foreign exchange gap analysis as at 31 December 2018

	USD	ZAR	EUR	BWP	GBP	TOTAL
	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent	ZWL$ equivalent
Assets						
Balances with other banks and cash	-	360 909	284 777	260 898	323 653	1 230 237
Trade and other receivables	-	4 955	139	14	76	5 184
Loans and advances to customers	-	1 979	476	-	239	2 694
Total assets	**-**	**367 843**	**285 392**	**260 912**	**323 968**	**1 238 115**
Base currency						
Liabilities						
Deposits from customers	-	394 709	17 681	4 353	3 663	420 406
Trade and other payables	-	85 340	144	45	186	85 715
Total liabilities	**-**	**480 049**	**17 825**	**4 398**	**3 849**	**506 121**
Net currency position	**-**	**(112 206)**	**267 567**	**256 514**	**320 119**	**731 994**

Below are major cross rates to the ZWL$ used by the Group as at 31 December:

Currency	31 Dec 2019 Cross rate	31 Dec 2018 Cross rate
British pound (“GBP”)	21.9992	0.784
SA rand (“ZAR”)	0.8425	14.368
Euro (“EUR”)	18.7964	0.871
Pula (“BWP”)	1.5834	10.712
United states dollar (ÜSD”)	16.7734	1

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The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% based on past experience with all other variables held constant.

INFLATION ADJUSTED

Impact of 10% increase in exchange rates:	USD ZWL$	ZAR ZWL$	EUR ZWL$	BWP ZWL$	GBP ZWL$	TOTAL ZWL$
For the year ended 31 December 2019						
Assets	324 910 434	7 898 369	1 307 777	22 060	184 281	9 412 487
Liabilities	(1 008 332)	(4 917 372)	(530 582)	(23 029)	(5 806)	(5 476 789)
Net position	**323 902 102**	**2 980 997**	**777 195**	**(969)**	**178 475**	**3 935 698**
For the year ended 31 December 2018						
Assets	-	228 484	177 270	162 064	201 234	769 052
Liabilities	-	(298 183)	(11 075)	(2 733)	(2 391)	(314 382)
Net position	**-**	**(69 699)**	**166 195**	**159 331**	**198 843**	**454 670**

HISTORICAL COST

Impact of 10% increase in exchange rates:	USD ZWL$	ZAR ZWL$	EUR ZWL$	BWP ZWL$	GBP ZWL$	TOTAL ZWL$
For the year ended 31 December 2019						
Assets	324 910 434	7 898 369	1 307 777	22 060	184 281	9 412 487
Liabilities	(1 008 332)	(4 917 372)	(530 582)	(23 029)	(5 806)	(5 476 789)
Net position	**323 902 102**	**2 980 997**	**777 195**	**(969)**	**178 475**	**3 935 698**
For the year ended 31 December 2018						
Assets	-	36 784	28 539	26 091	32 397	123 811
Liabilities	-	(48 005)	(1 783)	(440)	(385)	(50 613)
Net position	**-**	**(11 221)**	**26 756**	**25 651**	**32 012**	**73 198**

34.3.3 Price risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss and fair value through other comprehnsive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's total comprehensive income for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% based on experience with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Impact of 25% increase or decrease in the equity index:				
Financial assets at fair value through profit or loss	13 733 152	20 205 978	14 440 158	2 262 476
Financial assets at fair value through other comprehensive income	3 717 493	3 206 224	3 717 493	516 176

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34.4 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Settlement limits form part of the credit approval / limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

34.5 Capital risk

34.5.1 Regulatory Capital and Financial Risk Management

Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments. The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;

- Tier 1 capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as financial assets at fair value through other comprehensive income.
- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items. The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period.

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The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries. The following subsidiaries have their capital regulated by the regulatory authorities:

Company	Regulatory Authority	Minimum* capital required US$	Minimum capital required ZWL$	Net regulatory capital ZWL$
As at 31 December 2019				
FBC Bank Limited	RBZ	30 000 000	503 202 000	566 671 769
FBC Building Society	RBZ	20 000 000	335 468 000	142 572 121
FBC Reinsurance Limited	IPEC		150 000 000	95 676 460
FBC Securities (Private) Limited	SECZ		150 000	1 894 851
FBC Insurance Company (Private) Limited	IPEC		37 500 000	46 806 996
Microplan Financial Services (Private) Limited	RBZ		25 000	18 516 902
As at 31 December 2018				
FBC Bank Limited	RBZ		25 000 000	89 415 015
FBC Building Society	RBZ		20 000 000	49 278 852
FBC Reinsurance Limited	IPEC		10 000 000	15 834 029
FBC Securities (Private) Limited	SECZ		150 000	1 224 081
FBC Insurance Company (Private) Limited	IPEC		7 500 000	7 499 788
Microplan Financial Services (Private) Limited	RBZ		25 000	10 624 684

*Compliance required by 31 December 2020

34.5.2 Capital allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals.

Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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Capital adequacy ratios	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
FBC Bank Limited capital adequacy ratio				
Ordinary share capital	159 327 144	159 327 144	18 502 313	18 502 313
Share premium	113 647 946	113 647 946	13 197 687	13 197 687
Retained profits	157 113 275	438 075 296	224 977 924	70 881 205
General reserve	-	-	-	-
Capital allocated for market and operational risk	(49 530 591)	(74 879 769)	(49 530 591)	(12 055 024)
Advances to insiders	(61 167 622)	(99 915 315)	(61 167 622)	(16 085 540)
Tier 1 capital	**319 390 152**	**536 255 302**	**145 979 711**	**74 440 641**
Other reserves	223 316 671	-	371 161 467	2 919 350
Tier 1 and 2 capital	542 706 823	536 255 302	517 141 178	77 359 991
Tier 3 capital allocated for market and operational risk	49 530 591	74 879 769	49 530 591	12 055 024
	592 237 414	**611 135 071**	**566 671 769**	**89 415 015**
Risk weighted assets	**1 772 796 121**	**2 703 976 957**	**1 772 796 121**	**435 317 955**
Tier 1 ratio (%)	18%	20%	8%	17%
Tier 2 ratio (%)	13%	0%	21%	1%
Tier 3 ratio (%)	3%	3%	3%	3%
Capital adequacy ratio (%)	**33%**	**23%**	**32%**	**21%**
Minimum Statutory Capital adequacy ratio	**12%**	**12%**	**12%**	**12%**
FBC Building Society capital adequacy ratio				
Share capital and share premium	97 018 954	97 018 954	11 266 599	11 266 599
Accumulated surplus	78 695 400	258 266 506	66 568 959	42 257 377
Capital allocated for market and operational risk	(19 152 661)	(20 187 136)	(3 667 382)	(2 436 774)
Advances to insiders	(2 839 697)	(27 073 341)	(2 839 697)	(4 358 584)
Tier 1 capital	**153 721 996**	**308 024 983**	**71 328 479**	**46 728 618**
Regulatory reserves	-	6 012 501	-	-
Revaluation reserves	27 925 586	-	67 576 260	113 460
Tier 1 and 2 capital	181 647 582	314 037 484	138 904 739	46 842 078
Tier 3 capital allocated for market and operational risk	19 152 661	20 187 136	3 667 382	2 436 774
	200 800 243	**334 224 620**	**142 572 121**	**49 278 852**
Risk weighted assets	**362 265 947**	**437 710 266**	**243 369 725**	**62 859 969**
Tier 1 ratio (%)	42%	70%	29%	74%
Tier 2 ratio (%)	8%	1%	28%	0%
Tier 3 ratio (%)	5%	5%	2%	4%
Capital adequacy ratio (%)	**55%**	**76%**	**59%**	**78%**
Minimum Statutory Capital adequacy ratio	**12%**	**12%**	**12%**	**12%**

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35 FAIR VALUE OF ASSETS AND LIABILITIES

IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are defined below.

Quoted market prices (level 1)

Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets of liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputes (level 2)

Assets and liabilities classified as level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs (Level 3)

Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy);

	INFLATION ADJUSTED				HISTORICAL COST			
	Valuation technique using				Valuation technique using			
As at 31 December 2019	Quoted market prices Level 1 ZWL$	Observable inputs Level 2 ZWL$	Significant unobservable inputs Level 3 ZWL$	Total ZWL$	Quoted market prices Level 1 ZWL$	Observable inputs Level 2 ZWL$	Significant unobservable inputs Level 3 ZWL$	Total ZWL$
Assets								
Financial assets at fair value through profit or loss	54 932 609	-	-	54 932 609	57 760 631	-	-	57 760 631
Financial assets at fair value through other comprehensive income	14 869 971	-	-	14 869 971	14 869 971	-	-	14 869 971
Investment property	-	-	154 282 658	154 282 658	-	-	154 282 658	154 282 658
Property and equipment	-	-	458 243 138	458 243 138	-	-	458 243 138	458 243 138
Intangible assets	-	-	200 448 102	200 448 102	-	-	200 426 701	200 426 701
Liabilities	-	-	-	-	-	-	-	-
As at 31 December 2018								
Assets								
Financial assets at fair value through profit or loss	80 823 911	-	-	80 823 911	9 049 902	-	-	9 049 902
Financial assets at fair value through other comprehensive income	12 824 894	-	-	12 824 894	2 064 702	-	-	2 064 702
Investment property	-	-	54 897 226	54 897 226	-	-	8 838 000	8 838 000
Land and buildings	-	34 661 538	157 828 717	192 490 255	-	5 580 221	16 743 964	22 324 186
Liabilities	-	-	-	-	-	-	-	-

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Valuation techniques and sensitivity analysis
Sensitivity analysis is performed on valuations of assets and liabilities with significant unobservable inputs (level 3) to generate a range of reasonable possible alternative valuations, The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods.

Land and buildings under level 3 comprises commercial and residential properties. Refer to property and equipment note 13.

Investment property
The valuation approach taken for invesment property was a sales comparison approach being the market value of similar properties. In this approach, similar properties that had been recently sold or which are currently on sale and situated in comparable areas were utilised to derive the fair value. Market evidence from other estate agents and local press was also taken into consideration. The significant unobservable inputs were comparable rates per square meter.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value
The carrying amounts of financial assets and liabilities held at amortised cost approximate fair values. The following methods and assumptions were used to estimate the fair values;

Loans and advances to customers
The fair value of loans and advances to customers, for the purposes of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Gross loan values are discounted at a rate of the Group's contractual margins depending on credit quality and period to maturity. As such Group product margins are deemed significant inputs in the fair value models for the purposes of this disclosure, the related balances are classified as level 3 since the inputs are unobservable.

Trade and other receivables
The fair value of trade and other receivables, for the purposes of this disclosure, is calculated by the use of discounted cash flow techniques where the gross receivables are discounted at the Group's borrowing rate. Significant inputs in the valuation model are unobservable and are thus classified as level 3 for purposes of this disclosure.

Deposits from banks and amounts due to customers
The fair value disclosed approximates carrying value because the instruments are short term in nature. The deposits from banks and customers are classified as level 2. There are no deposits with long term maturities.

Borrowings
The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant due to the market terms (rates and tenor) available. The fair value of the non current portion, for purposes of this disclosure are based on cash flows discounted using a rate based on the contractual borrowing rates which is an observable input. Therefore borrowings are within level 3 of the fair value hierarchy. The carrying amount equals the carrying amounts for borrowings with longer term maturities as the discount rate approximates the liabilities' effective interest rates.

Insurance liabilities and trade and other payables
The fair value disclosed approximates carrying value because the instruments are short term in nature.

Guarantees, acceptances and other financial facilities
The fair value disclosed approximates carrying value because the instruments are short term in nature.

36 FINANCIAL INSTRUMENTS
Financial assets and liabilities
Accounting classifications and fair values
The table below sets out the Group's classification of each class of financial assets and liabilities

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36.1 Position as at 31 December 2019
INFLATION ADJUSTED

	Amortised cost ZWL$	At fair value through pofit and loss ZWL$	At fair value through other comprehensive income ZWL$	Loans and receivables ZWL$	Financial liabilities at amortised cost ZWL$	Total carrying amount ZWL$
Assets						
Balances with other banks and cash		-	-	1 907 906 680	-	1 907 906 680
Financial assets at amortised cost	190 730 266					190 730 266
Loans and advances to customers		-	-	2 560 944 198	-	2 560 944 198
Bonds and debentures	121 510 634	-	-	-	-	121 510 634
Trade and other receivables including insurance receivables	-	-	-	103 370 140	-	103 370 140
Financial assets at fair value through profit or loss	-	54 932 609	-	-	-	54 932 609
Financial assets at fair value through other comprehensive income	-	-	14 869 971	-	-	14 869 971
Total	**312 240 900**	**54 932 609**	**14 869 971**	**4 572 221 018**	**-**	**4 954 264 498**
Liabilities						
Deposits from customers	-	-	-	-	2 024 874 514	2 024 874 514
Deposits from other banks	-	-	-	-	195 140 989	195 140 989
Borrowings	-	-	-	-	1 722 331 786	1 722 331 786
Insurance liabilities	-	-	-	-	100 632 018	100 632 018
Trade and other liabilities	-	-	-	-	880 058 825	880 058 825
Total	**-**	**-**	**-**	**-**	**4 923 038 132**	**4 923 038 132**

36.1 Position as at 31 December 2018
INFLATION ADJUSTED

	Amortised cost ZWL$	At fair value through pofit and loss ZWL$	At fair value through other comprehensive income ZWL$	Loans and receivables ZWL$	Financial liabilities at amortised cost ZWL$	Total carrying amount ZWL$
Assets						
Balances with other banks and cash		-	-	1 190 946 201	-	1 190 946 201
Financial assets at amortised cost	1 157 734 027					1 157 734 027
Loans and advances to customers		-	-	2 522 176 904	-	2 522 176 904
Bonds and debentures	1 397 747 294	-	-	-	-	1 397 747 294
Trade and other receivables including insurance receivables	-	-	-	80 365 131	-	80 365 131
Financial assets at fair value through profit or loss	-	80 823 911	-	-	-	80 823 911
Financial assets at fair value through other comprehensive income	-	-	12 824 894	-	-	12 824 894
Total	**2 555 481 321**	**80 823 911**	**12 824 894**	**3 793 488 236**	**-**	**6 442 618 362**
Liabilities						
Deposits from customers	-	-	-	-	3 900 198 617	3 900 198 617
Deposits from other banks	-	-	-	-	875 034 804	875 034 804
Borrowings	-	-	-	-	648 483 580	648 483 580
Insurance liabilities	-	-	-	-	96 567 469	96 567 469
Trade and other liabilities	-	-	-	-	298 226 697	298 226 697
Total	**-**	**-**	**-**	**-**	**5 818 511 167**	**5 818 511 167**

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36.2 Position as at 31 December 2019

HISTORICAL COST

	Amortised cost ZWL$	At fair value through pofit and loss ZWL$	At fair value through other comprehensive income ZWL$	Loans and receivables ZWL$	Financial liabilities at amortised cost ZWL$	Total carrying amount ZWL$
Assets						
Balances with other banks and cash		-	-	1 907 906 680	-	1 907 906 680
Financial assets at amortised cost	190 730 266					190 730 266
Loans and advances to customers		-	-	2 560 920 299	-	2 560 920 299
Bonds and debentures	121 510 634	-	-	-	-	121 510 634
Trade and other receivables including insurance receivables	-	-	-	104 144 323	-	104 144 323
Financial assets at fair value through profit or loss	-	57 760 631	-	-	-	57 760 631
Financial assets at fair value through other comprehensive income	-	-	14 869 971	-	-	14 869 971
Total	**312 240 900**	**57 760 631**	**14 869 971**	**4 572 971 302**	**-**	**4 957 842 804**
Liabilities						
Deposits from customers	-	-	-	-	2 024 874 514	2 024 874 514
Deposits from other banks	-	-	-	-	195 140 989	195 140 989
Borrowings	-	-	-	-	1 722 331 786	1 722 331 786
Insurance liabilities	-	-	-	-	51 333 232	51 333 232
Trade and other liabilities	-	-	-	-	865 030 059	865 030 059
Total	**-**	**-**	**-**	**-**	**4 858 710 580**	**4 858 710 580**

36.2 Position as at 31 December 2018

HISTORICAL COST

	Amortised cost ZWL$	At fair value through pofit and loss ZWL$	At fair value through other comprehensive income ZWL$	Loans and receivables ZWL$	Financial liabilities at amortised cost ZWL$	Total carrying amount ZWL$
Assets						
Balances with other banks and cash	-	-	-	192 209 582	-	192 209 582
Financial assets at amortised cost	186 068 296	-	-	-	-	186 068 296
Loans and advances to customers	-	-	-	405 508 331	-	405 508 331
Bonds and debentures	225 565 873	-	-	-	-	225 565 873
Trade and other receivables including insurance receivables	-	-	-	12 942 578	-	12 942 578
Financial assets at fair value through profit or loss	-	9 049 902	-	-	-	9 049 902
Financial assets at fair value through other comprehensive income	-	-	2 064 702	-	-	2 064 702
Total	**411 634 169**	**9 049 902**	**2 064 702**	**610 660 491**	**-**	**1 033 409 264**
Liabilities						
Deposits from other banks	-	-	-	-	627 899 762	627 899 762
Deposits from customers	-	-	-	-	140 873 376	140 873 376
Borrowings	-	-	-	-	104 400 500	104 400 500
Insurance liabilities	-	-	-	-	13 921 902	13 921 902
Trade and other liabilities	-	-	-	-	46 742 668	46 742 668
Total	**-**	**-**	**-**	**-**	**933 838 208**	**933 838 208**

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37 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the two subsidiaries; FBC Reinsurance Limited and FBC Insurance (Private) Company.

37.1 Risk management objectives and policies for mitigating risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The reinsurers and retrocessionaires that the Group transacted with for the year had the following ratings;

Year ended 31 December

Ratings	Number of reinsurers and retrocessionaires	
	2019	2018
AA+	0	0
AA-	1	1
A+	2	2
A-	4	4
B	1	1
B++	0	0
B+	5	5
BB+	0	0
BBB	0	0
BBB-	1	1
Non rated	0	0
Total	**14**	**14**

37.2 Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, and class of business in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 60 days notice, as well as the right to reject the payment of a fraudulent claim.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

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37.3 Reinsurance strategy
The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the statement of financial position. The short-term insurance company utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

37.4 Retrocession strategy
The reinsurance company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the arrangement and placement of retrocession programmes with reputable reinsurers. This is led by Aon Sub Sahara Africa in South Africa and J B Boda Reinsurance Brokers (Pvt) Ltd of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

37.5 Terms and conditions of short- term insurance contracts
The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within a stipulated credit period;

ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and

iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group through its subsidiary, FBC Insurance Company Limited, writes the following types of business within its Commercial and Personal Lines;

Products	Commercial	Personal Lines
Fire		
Assets all risks	*	*
House owners	*	*
Fire combined	*	*
Accident		
Money	*	x
Glass	*	x
Goods in transit	*	*
Theft	*	*
Personal all risks	*	*
Business all risks	*	x
Fidelity guarantee	*	x
Householders	*	*
Personal accident		
Group personal accident	*	x
Personal accident	*	*

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Products	Commercial	Personal Lines
Motor		
Private motor	*	*
Commercial motor	*	*
Motor cycle	*	*
Trailer	*	*
Motor fleet	*	*
Engineering		
Electronic equipment	*	x
Machinery breakdown	*	x
Machinery breakdown loss of profits	*	x
Contractors all risks	*	x
Erection all risks	*	x
Civil engineering completed risks	*	x
Plant all risks	*	x
Marine		
Marine cargo	*	*
Marine hull	*	*
Liability		
Public liability	*	*
Employers liability	*	x
Professional indemnity	*	x
Products liability	*	x
Directors and officer liability	*	x
Bonds and guarantees		
Court bond	*	x
Performance bond	*	x
Bid bond	*	x
Advance payment bond	*	x
Government/customs bonds	*	x

Legend
* class of business underwritten
x class of business not underwritten

Commercial department underwrites small to large business from companies. Personal department provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:
- Fire – fire, storm, explosions, malicious and earthquake
- Accident – all risks of accidental loss or damage to property
- Personal accident – death, permanent disablement, total disablement and medical expenses
- Motor – private and commercial (comprehensive, full third party, fire and theft)
- Engineering – accidental physical loss or damage to machinery on an all risks basis
- Marine – loss or damage to cargo in transit or vessel
- Liability – legal liability following death or injury to third parties or damage to third party property
- Bonds and guarantees – guarantees that contractual obligations will be met in case of default

The return to shareholders arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover claims and administrative expenses incurred by the Group.

Notes to the Consolidated Financial Statements (continued)
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37.6 Terms and conditions of short- term reinsurance contracts

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

The Group, through its subsidiary, FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative Departments;

Products	Treaty	Facultative
Fire	*	*
Miscellaneous accident	*	*
Motor	*	*
Engineering	*	*
Marine - hull and cargo	*	*
Aviation	*	*
Credit	*	*

* class of business underwritten
x class of business not underwritten

Both Treaty and Facultative Departments provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities. The following perils are covered under the different types of business;
- Fire - fire, storm, explosions, riot, malicious and earthquake.
- Accident - all risks of accidental loss or damage to property.
- Personal accident - death, permanent disablement, total disablement and medical expenses.
- Motor - private and commercial (comprehensive, full third party, fire and theft).
- Engineering - accidental physical loss or damage to machinery on an all risks basis.
- Marine - loss or damage to cargo in transit or vessel.
- Liability - legal liability following death or injury to third parties or damage to third party property.
- Bonds and guarantees - guarantees that contractual obligations will be met in case of default

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group.

There is scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the environment in which they operate.

The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group's ability to proactively detect fraudulent claims.

Notes to the Consolidated Financial Statements (continued)
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37.7 Concentration of insurance risk

With the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is risk that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the property risks. Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Group has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur meaning that the Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

37.8 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at statement of financial position date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 14% (2017 - 8.4%) of net premium written for the reinsurance subsidiary and 5% (2017 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

37.9 Management of risk relating to changes in underwriting variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

38 SEGMENT REPORTING

Segment information is presented in respect of business segments. Segment revenue, expenses, liabilities and assets are items that are directly attributable to the business segment or which can be allocated on a reasonable basis to a business segment. The Group comprises of six business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short term insurance and stockbroking Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group Executive Committee.

INFLATION ADJUSTED

31 December 2019	Commercial banking ZWL$	Microlending ZWL$	Mortgage financing ZWL$	Short term reinsurance ZWL$	Short term insurance ZWL$	Stockbroking ZWL$	Consolidated ZWL$
Total segment net income							
Interest income	428 963 460	37 450 138	61 012 202	1 250 892	1 038 479	705 555	530 420 726
Interest expense	(169 762 768)	(6 099 467)	(23 943 072)	-	-	-	(199 805 307)
Net interest income	259 200 692	31 350 671	37 069 130	1 250 892	1 038 479	705 555	330 615 419
Sales	-	-	31 851 496	-	-	-	31 851 496
Cost of sales	-	-	(12 458 749)	-	-	-	(12 458 749)
Gross profit	-	-	19 392 747	-	-	-	19 392 747
Net earned insurance premium	-	-	-	137 703 156	56 956 741	-	194 659 897
Net fee and commission income	266 860 702	5 335 648	30 724 109	-	-	4 214 181	307 134 640
Net trading income and other income	557 265 383	5 872 990	32 200 806	65 827 615	20 152 788	890 297	682 209 879
Total net income for reported segments	1 083 326 777	42 559 309	119 386 792	204 781 663	78 148 008	5 810 033	1 534 012 582
Intersegment revenue	(3 001 269)	(2 942 341)	(1 105 756)	(36 009 731)	30 096 764	(8 767)	(12 971 100)
Intersegment interest expense and commission	7 848 435	(3 160 036)	5 167 068	215 535	3 260 189	(16 773)	13 314 418
Net income from external customers	**1 088 173 943**	**36 456 932**	**123 448 104**	**168 987 467**	**111 504 961**	**5 784 493**	**1 534 355 900**
Segment profit/(loss) before income tax	**286 295 621**	**(37 997 561)**	**(154 081 267)**	**(26 780 977)**	**(26 973 862)**	**(4 449 577)**	**36 012 377**
Impairment allowances on financial assets	25 832 057	311 591	5 126 488	2 000 000	548 083	(2 033)	33 816 186
Depreciation	21 043 082	641 878	3 169 747	502 178	589 596	41 671	25 988 152
Amortisation	4 386 527	318 392	145 275	201 818	635 734	-	5 687 746
Segment assets	**5 359 225 494**	**58 635 435**	**447 693 676**	**200 584 353**	**119 453 846**	**4 620 935**	**6 190 213 739**
Total assets include :							
Additions to non-current assets	39 727 207	2 938 276	3 440 710	695 903	910 448	-	47 712 544
Segment liabilities	**4 705 820 457**	**32 858 001**	**244 053 738**	**125 103 318**	**82 155 168**	**2 726 084**	**5 192 716 766**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

INFLATION ADJUSTED 31 December 2018	Commercial banking ZWL$	Microlending ZWL$	Mortgage financing ZWL$	Short term reinsurance ZWL$	Short term insurance ZWL$	Stockbroking ZWL$	Consolidated ZWL$
Total segment net income							
Interest income	492 357 910	73 846 064	128 639 776	4 646 813	1 833 723	3 225 464	704 549 750
Interest expense	(125 890 142)	(11 315 048)	(30 734 835)	-	-	-	(167 940 025)
Net interest income	366 467 768	62 531 016	97 904 941	4 646 813	1 833 723	3 225 464	536 609 725
Sales	-	-	76 375 696	-	-	-	76 375 696
Cost of sales	-	-	(59 133 593)	-	-	-	(59 133 593)
Gross profit	-	-	17 242 103	-	-	-	17 242 103
Net earned insurance premium	-	-	-	101 637 782	80 989 248	-	182 627 030
Net fee and commission income	287 178 252	9 251 029	50 026 634	-	-	5 022 579	351 478 494
Net trading income and other income	72 355 430	127 413	(159 700)	19 107 461	4 428 875	878 240	96 737 719
Total net income for reported segments	726 001 450	71 909 458	165 013 978	125 392 056	87 251 846	9 126 283	1 184 695 071
Intersegment revenue	8 621 995	38 089	4 442 731	54 317 495	(46 224 868)	41 803	21 237 245
Intersegment interest expense and commission	(7 166 852)	(8 619 517)	(3 294 697)	(39 148 139)	(7 540 300)	(34 430)	(65 803 935)
Net income from external customers	**727 456 593**	**63 328 030**	**166 162 012**	**140 561 412**	**33 486 678**	**9 133 656**	**1 140 128 381**
Segment profit/(loss) before income tax	**90 729 540**	**7 914 356**	**825 438**	**(18 489 166)**	**(9 687 017)**	**2 044 061**	**73 337 212**
Impairment allowances on financial assets	4 352 167	5 582 598	2 273 986	2 925 510	475 914	322	15 610 497
Depreciation	17 138 260	749 095	2 882 665	109 212	165 898	47 282	21 092 412
Amortisation	2 263 287	525 562	145 275	50 437	158 935	-	3 143 496
Segment assets	**5 630 574 215**	**170 483 053**	**1 225 712 506**	**200 945 617**	**104 381 967**	**16 690 782**	**7 348 788 140**
Total assets include :							
Additions to non-current assets	30 614 192	2 139 686	7 916 867	90 185	56 068	23 518	40 840 516
Investment in associates	-	-	-	4 229 297	-	-	-
Segment liabilities	**4 919 523 825**	**103 644 969**	**864 414 546**	**105 177 103**	**56 122 833**	**9 044 312**	**6 057 927 588**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

HISTORICAL COST 31 December 2019	Commercial banking ZWL$	Microlending ZWL$	Mortgage financing ZWL$	Short term reinsurance ZWL$	Short term insurance ZWL$	Stockbroking ZWL$	Consolidated ZWL$
Total segment net income							
Interest income	193 359 765	13 218 010	21 733 243	356 642	196 121	168 684	229 032 465
Interest expense	(78 397 877)	(2 407 117)	(9 407 526)	-	-	-	(90 212 520)
Net interest income	114 961 888	10 810 893	12 325 717	356 642	196 121	168 684	138 819 945
Sales	-	-	16 586 687	-	-	-	16 586 687
Cost of sales	-	-	(3 073 238)	-	-	-	(3 073 238)
Gross profit	-	-	13 513 449	-	-	-	13 513 449
Net earned insurance premium	-	-	-	61 858 749	24 887 753	-	86 746 502
Net fee and commission income	128 422 414	4 749 924	13 020 098	-	-	1 692 076	147 884 512
Net trading income and other income	529 011 049	1 985 633	44 017 483	71 519 008	18 385 603	890 117	665 808 893
Total net income for reported segments	772 395 351	17 546 450	82 876 747	133 734 399	43 469 477	2 750 877	1 052 773 301
Intersegment revenue	(3 001 269)	(2 942 341)	(1 105 756)	(36 009 731)	30 096 764	(8 767)	(12 971 100)
Intersegment interest expense and commission	7 848 435	(3 160 036)	5 167 068	215 535	3 260 189	(16 773)	13 314 418
Net income from external customers	**777 242 517**	**11 444 073**	**86 938 059**	**97 940 203**	**76 826 430**	**2 725 337**	**1 053 116 619**
Segment profit before income tax	**400 931 739**	**2 570 090**	**32 478 756**	**55 345 922**	**6 904 783**	**510 389**	**498 741 679**
Impairment allowances on financial assets	25 832 057	311 591	5 126 488	2 000 000	548 082	(2 032)	33 816 186
Depreciation	3 059 818	170 803	441 972	76 692	221 265	5 842	3 976 392
Amortisation	676 959	61 032	16 869	23 443	74 220	-	852 523
Segment assets	**5 342 950 647**	**51 374 903**	**389 465 557**	**191 272 092**	**112 129 474**	**4 620 935**	**6 091 813 608**
Total assets include :							
Additions to non-current assets	19 946 178	1 170 492	1 622 358	221 481	245 135	-	23 205 644
Investment in associates	-	-	-	-	-	-	-
Segment liabilities	**4 715 111 255**	**32 858 001**	**244 053 738**	**95 595 632**	**65 322 478**	**2 726 083**	**5 155 667 187**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

HISTORICAL COST 31 December 2018	Commercial banking ZWL$	Microlending ZWL$	Mortgage financing ZWL$	Short term reinsurance ZWL$	Short term Insurance ZWL$	Stockbroking ZWL$	Consolidated ZWL$
Total segment net income							
Interest income	60 154 388	9 083 399	15 817 053	555 073	226 151	388 999	86 225 063
Interest expense	(15 606 863)	(1 387 091)	(3 819 067)	-	-	-	(20 813 021)
Net interest income	44 547 525	7 696 308	11 997 986	555 073	226 151	388 999	65 412 042
Sales	-	-	10 839 739	-	-	-	10 839 739
Cost of sales	-	-	(8 350 999)	-	-	-	(8 350 999)
Gross profit	-	-	2 488 740	-	-	-	2 488 740
Net earned insurance premium	-	-	-	12 526 235	10 022 283	-	22 548 518
Net fee and commission income	35 719 180	1 131 633	6 186 328	-	-	649 156	43 686 297
Net trading income and other income	9 244 214	14 804	104 982	2 997 095	667 798	140 633	13 169 526
Total net income for reported segments	89 510 919	8 842 745	20 778 036	16 078 403	10 916 232	1 178 788	147 305 123
Intersegment revenue	(1 388 070)	(6 132)	(715 243)	(8 744 668)	7 441 822	(6 730)	(3 419 021)
Intersegment interest expense and commission	1 153 804	1 387 671	530 419	6 302 527	1 213 926	5 543	10 593 890
Net income from external customers	**89 276 653**	**10 224 284**	**20 593 212**	**13 636 262**	**19 571 980**	**1 177 601**	**154 479 992**
Segment profit before income tax	**33 802 683**	**3 855 139**	**11 696 179**	**2 667 001**	**443 220**	**612 323**	**53 076 545**
Impairment allowances on financial assets	700 663	898 752	366 093	470 983	76 618	312	2 513 421
Depreciation	2 235 536	92 277	310 584	42 350	120 429	5 840	2 807 016
Amortisation	399 301	61 032	16 870	23 905	73 827	-	574 935
Segment assets	**896 448 380**	**27 400 002**	**192 801 038**	**31 737 372**	**15 050 013**	**2 672 274**	**1 166 109 079**
Total assets include :							
Additions to non-current assets	2 999 899	255 500	940 809	80 754	33 346	3 103	4 313 411
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**790 947 826**	**16 775 318**	**139 163 603**	**15 903 342**	**7 550 225**	**1 448 194**	**971 788 508**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market Dealing	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Operating segments reconciliations				
Net income				
Total net income for reportable segments	1 534 355 900	1 184 695 071	1 053 116 619	154 479 992
Total net income for non reportable segments	230 150 909	97 883 586	112 712 183	12 527 955
Elimination of intersegment revenue received from the holding company	-	(9 112 776)	-	(1 118 764)
Intersegment eliminations	(166 086 644)	(110 651 924)	(106 001 646)	(19 964 395)
Group total net income	**1 598 420 164**	**1 162 813 957**	**1 059 827 156**	**145 924 788**
Group profit before tax				
Total profit before income tax for reportable segments	36 012 377	73 337 212	498 741 679	53 076 545
Intersegment eliminations	132 771 230	55 638 288	30 608 773	1 569 928
Profit before income tax	**168 783 607**	**128 975 500**	**529 350 452**	**54 646 473**
Group assets				
Total assets for reportable segments	6 190 213 739	7 348 788 140	6 091 813 608	1 166 109 079
Other group assets	892 176 830	643 895 136	425 345 534	6 417 517
Deferred tax asset allocated to the holding company	-	-	-	511 314
Intersegment eliminations	(865 589 498)	(960 566 556)	(406 333 109)	(59 061 191)
Group total assets	**6 216 801 071**	**7 032 116 720**	**6 110 826 033**	**1 113 976 719**
Group liabilities				
Total liabilities for reportable segments	5 192 716 766	6 057 927 588	5 155 667 187	971 788 508
Other group liabilities and elimination of intersegment payables	14 782 541	(224 324 309)	4 689 375	(36 523 756)
Group total liabilities	**5 207 499 307**	**5 833 603 279**	**5 160 356 562**	**935 264 752**

In the normal course of business, group companies trade with one another and the material intergroup transactions include:

1) Underwriting of insurance risk by the insurance subsidiary;
2) Reinsurance of the insurance subsidiary's insurance risk by the reinsurance subsidiary;
3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
4) Placement of funds with the Building Society by group companies.

These transactions result in income, expenses, assets and liabilities that are eliminated on consolidation.

	INFLATION ADJUSTED		HISTORICAL COST	
Entity wide information	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
Breakdown of total net income from all services is as follows;				
Analysis of net income by category:				
- Gross profit from residential properties	19 392 747	17 242 103	13 513 449	2 488 740
Revenue	31 851 496	76 375 696	16 586 687	10 839 739
Cost of sales	(12 458 749)	(59 133 593)	(3 073 238)	(8 350 999)
- Net income from services	1 579 027 417	1 145 571 854	1 046 313 707	143 436 048
Total	**1 598 420 164**	**1 162 813 957**	**1 059 827 156**	**145 924 788**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

The Group is domiciled in Zimbabwe. All revenue was earned from external customers in Zimbabwe.
All assets of the Group are located in Zimbabwe. Total net income was earned by a variety of customers with no significant concentration on one customer.

39 BORROWING POWERS

The Directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
40 POST EMPLOYMENT BENEFITS				
Contributions made during the year are as follows:				
Self administered pension fund	13 981 692	8 725 418	2 680 720	1 387 488
National Social Security Authority ("NSSA") Scheme	2 547 566	2 493 545	491 479	394 786
	16 529 258	**11 218 962**	**3 172 199**	**1 782 274**

The Group operates a defined contribution pension scheme whose assets are held independently of the Group's assets in separate trustee administered funds. All permanent employees are members of this fund. The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% (2018 : 3.5%) of pensionable salary to a maximum as set from time to time.

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$	31 Dec 2019 ZWL$	31 Dec 2018 ZWL$
41 CAPITAL COMMITMENTS				
Capital expenditure authorised but not yet contracted	653 575 000	457 113 644	653 575 000	73 591 521
Capital commitments will be funded from the Group's own resources				
42 CONTINGENT LIABILITIES				
(a) Letters of credit				
The contingent liabilities relate to guarantees and letters of credit undertaken on behalf of various customers.	-	-	554 738 163	26 227 144

(b) Legal proceedings
The Group had no other material contingent liabilities as at 31 December 2019 (2018 - ZWL$nil).

(c) Potential tax obligations
The Group is regularly subject to evaluations by tax authorities on its direct and indirect tax filings. The consequence of such reviews is that disagreements can arise with tax authorities over the interpretation or application of certain tax rules relating to the Group's business. Such disagreements may not necessarily be resolved in a manner that is favourable to the Group and additional tax obligations could arise upon the resolution of the disputes.

43 SUBSEQUENT EVENTS

The Group has according to International Accounting Standard (IAS10)- 'Events after the Reporting Period' identified events emanating from the Covid-19 pandemic and the national lockdown as non-adjusting events instead of adjusting events, since the pandemic arose after the reporting date.

The Group's business operations has and will be affected by the recent and current outbreak of the COVID-19 (coronavirus) which in March 2020, the World Health Organization (WHO) declared as a pandemic and in the same month the country declared as a national disaster and ordered a 21 days lockdown and the closure of borders, non-essential services and businesses among other significant interventions. The ongoing national, regional and global response to the COVID-19 pandemic has and will overall negatively affect the Group's business operations, the country, continental and global economies. The overall disruption and financial effect on the Group's businesses cannot be determined with certainty due to the nature of the complexity, the unknown duration and severity of the COVID-19 pandemic and dynamic responses to be implemented by the country to counteract the material negative impact on the economy. As a result of the many unknowns relating to the current pace, spread and containment of the COVID-19 pandemic it may result in a material adverse impact on the Group's financial position, operations, financial results and cash flows. The duration of the business disruption and the related financial effect and impact cannot be reasonably estimated at this time and updates will be provided in the quarterly trading updates.

It is however, apparent that the Covid-19 pandemic has adversely impacted commercial activity and contributed to significant declines and volatility in financial markets and the government responses are creating disruption in national, regional and global supply chains and adversely impacting many industries and ultimately the Group's customers. This may materially affect all our revenues streams, operating costs and liquidity position. The future is dependent on future national and global developments, which are highly uncertain and are impossible to predict. The response by the regulatory authorities to introduce a stimulus package to ameliorate the impact of the Covid-19 will also determine the financial effect and impact on the Group's operations.

The Group will continue to leverage on its digitalization infrastructure to further make adjustments to comply with the restrictions imposed by the Covid-19 pandemic. The banking services sector has been declared as an essential service, enabling the banking subsidiaries to offer services to its customers. The insurance businesses have not been declared essential services and will face business disruptions.

The Group has taken several steps to further strengthen its financial position and maintain liquidity and flexibility. The Group is undertaking the following initiatives to manage this material uncertainty: suspending unnecessary capital expenditure, reviewing operating expenses, not allowing new facility draw downs, rationalizing the branch network by temporarily and permanently closing some branches, concentrating on digital delivery channels, revamping agency banking, restructuring of previous performing facilities taking into account the extent clients are secured and have been affected by the Covid-19 outbreak, adjusted certain aspects of our operations to protect our employees and customers while still meeting customers' needs for financial services. The Group's e-commerce business and delivery channels have not been affected in terms of delivering service to our customers although the volume of transactions and revenues are expected to be disrupted due the countrywide lockdown which is limiting business activity.

As at the end of March 2020, our Group operations were in line with the Budget and had adequate liquidity for operations. The Group is leveraging on its Group financial position which had adequate cash resources as the end of March 2020 to preserve its financial flexibility in the uncertain environment. The Company's share price and market capitalization has increased after 31 December 2019 from ZWL 65.25 cents to ZWL120 cents and ZWL438 million to ZWL806 million respectively. The Group currently believes that it has adequate liquidity and business plans to continue operating using e commerce to mitigate some of the risks associated with Covid-19.

However, the Covid-19 pandemic is complex and rapidly evolving; the Group's plans above may change. At this point we cannot reasonably estimate the duration and severity of this pandemic, which could have a continued material adverse impact on our businesses, results of operations, financial position and cash flows.

The Group continues to evaluate the potential short-term and long-term implications on the consolidated financial statements. The potential impacts include, but not limited to: impairment of loans and advances, impairment of property and equipment and operating lease right of use assets related to the company's branches, fair value of financial assets and other investments, valuation of inventory, capacity to meet foreign obligations, net interest income, levels of non-funded income and expenses.

The Zimbabwe Stock Exchange (ZSE) has advised that all listed companies are trading under cautionary due to the potential effect of the Covid-19 pandemic.

Company Financial Statements

Company Statement of Financial Position
As at 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST*	
		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	Note	ZWL$	ZWL$	ZWL$	ZWL$
ASSETS					
Land	8	25 000 000	38 964 453	25 000 000	4 524 857
Balances with banks and cash		15 200 658	3 826 687	15 200 658	616 065
Amounts due from related parties	2	22 447 121	58 909 973	22 447 121	9 484 019
Financial assets at fair value through other comprehensive income	3	3 321 602	9 415 750	3 321 602	1 515 858
Financial assets at fair value through profit or loss	4	22 111 548	11 474 272	22 111 548	1 847 263
Investments in subsidiaries	5	559 900 943	516 935 830	102 995 741	60 030 628
Time - share asset	6	3 563 625	193 752	3 563 625	22 500
Other assets	7	230 901 588	4 174 419	230 901 588	672 047
Deferred income tax asset		9 729 745	-	9 729 745	511 314
Total assets		**892 176 830**	**643 895 136**	**435 271 628**	**79 224 551**
EQUITY AND LIABILITIES					
Liabilities					
Amounts due to related parties	9	58 418 357	127 375 305	58 418 357	20 506 372
Borrowings		167 734 000	62 114 988	167 734 000	10 000 000
Other liabilities	10	74 937 876	21 716 095	74 937 876	3 496 112
Current income tax liability		2 615 086	-	2 615 085	-
Deferred income tax liability		-	1 210 666	-	
Total liabilities		**303 705 319**	**212 417 054**	**303 705 318**	**34 002 484**
Equity					
Share capital and premium		121 330 895	121 330 895	14 089 892	14 089 892
Other reserves		237 505 314	268 643 656	56 560 911	30 660 578
Retained profits		229 635 302	41 503 531	60 915 507	471 597
Total equity		**588 471 511**	**431 478 082**	**131 566 310**	**45 222 067**
Total equity and liabilities		**892 176 830**	**643 895 136**	**435 271 628**	**79 224 551**

The Company financial statements on pages 165 to 173 were authorised for issue by the board of directors on 29 April 2020 and were signed on its behalf.

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historic financial information.

Company Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2019

	Note	INFLATION ADJUSTED 31-Dec-19 ZWL$	INFLATION ADJUSTED 31-Dec-18 ZWL$	HISTORICAL COST* 31-Dec-19 ZWL$	HISTORICAL COST* 31-Dec-18 ZWL$
Revenue	11	230 150 909	97 883 586	112 712 183	12 527 955
Operating expenditure	12	(35 082 215)	(27 151 487)	(29 364 157)	(3 112 488)
Monetary gain		50 526 786	52 463 323	-	-
Operating profit		**245 595 480**	**123 195 422**	**83 348 026**	**9 415 467**
Taxation	13	955 250	(20 506 498)	(1 927 270)	(1 726 044)
Profit for the year after taxation		**246 550 730**	**102 688 924**	**81 420 756**	**7 689 423**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Gain on financial assets at fair value through other comprehensive income		1 805 744	7 633 882	1 805 744	1 228 992
Tax		(18 057)	(76 339)	(18 057)	(12 290)
Items that will not be reclassified to profit or loss:					
Loss on property and equipment revaluation		(12 002 475)	-	22 928 405	-
Tax		193 013	-	(1 655 472)	-
Other comprehensive income, net income tax		**(10 021 775)**	**7 557 543**	**23 060 620**	**1 216 702**
Total comprehensive income for the year		**236 528 955**	**110 246 467**	**104 481 376**	**8 906 125**
Profit for the year attributable to:					
Equity holders of parent		246 550 730	102 688 924	81 420 756	7 689 423
Total profit for the year		**246 550 730**	**102 688 924**	**81 420 756**	**7 689 423**
Total comprehensive income attributable to:					
Equity holders of parent		236 528 955	110 246 467	104 481 376	8 906 125
Total comprehensive income for the year		**236 528 955**	**110 246 467**	**104 481 376**	**8 906 125**
Earnings per share (ZWL cents)					
Basic	14.1	39.94	16.07	13.19	1.20
Diluted	14.2	39.94	16.07	13.19	1.20
Headline	14.3	39.94	16.07	13.19	1.20

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historic financial information.

Company Statement of Changes in Equity
For the year ended 31 December 2019

INFLATION ADJUSTED

	Share capital ZWL$	Share premium ZWL$	Revaluation reserves ZWL$	Non distributable reserves ZWL$	Treasury share reserves ZWL$	Available for sale ("AFS") reserves ZWL$	Retained profits ZWL$	Total ZWL$
At 1 January 2018	**57 859**	**121 273 036**	**968 760**	**312 337 783**	**(18 619 086)**	**(1 296 012)**	**1 677 513**	**416 399 853**
AFS revaluation loss	-	-	-	-	-	7 633 882	-	7 633 882
Deferred tax on AFS	-	-	-	-	-	(76 339)	-	(76 339)
Profit for the year	-	-	-	-	-	-	102 688 924	102 688 924
Recycled opening revaluation reserve to retained earnings	-	-	(968 760)	-	-	-	968 760	-
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	-	-	-
Increase in ownership interest	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(31 336 572)	-	-	(31 336 572)
Dividend declared and paid	-	-	-	-	-	-	(63 831 666)	(63 831 666)
Balance at 31 December 2018	**57 859**	**121 273 036**	**-**	**312 337 783**	**(49 955 658)**	**6 261 531**	**41 503 531**	**431 478 082**
AFS revaluation gain	-	-	-	-	-	1 805 744	-	1 805 744
Deferred tax on AFS	-	-	-	-	-	(18 057)	-	(18 057)
Profit for the year	-	-	-	-	-	-	246 550 730	246 550 730
Gain on revaluation of property and equipment, net of tax	-	-	(11 809 462)	-	-	-	-	(11 809 462)
Increase in ownership interest	-	-	-	8 033 317	5 905 296	-	-	13 938 613
Purchase of treasury shares	-	-	-	-	(35 055 180)	-	-	(35 055 180)
Dividend declared and paid	-	-	-	-	-	-	(58 418 959)	(58 418 959)
Balance at 31 December 2019	**57 859**	**121 273 036**	**(11 809 462)**	**320 371 100**	**(79 105 542)**	**8 049 218**	**229 635 302**	**588 471 511**

HISTORICAL COST*

	Share capital ZWL$	Share premium ZWL$	Revaluation reserves ZWL$	Non distributable reserves ZWL$	Treasury share reserves ZWL$	Available for sale ("AFS") reserves ZWL$	Retained profits ZWL$	Total ZWL$
At 1 January 2018	**6 719**	**14 083 173**	**112 500**	**36 271 104**	**(2 162 194)**	**(150 503)**	**194 806**	**48 355 605**
AFS revaluation loss	-	-	-	-	-	1 228 993	-	1 228 993
Deferred tax on AFS	-	-	-	-	-	(12 290)	-	(12 290)
Profit for the year	-	-	-	-	-	-	7 689 423	7 689 423
Realisation of available for sale reserve	-	-	-	-	-	-	-	-
Gain on revaluation of property and equipment, net of tax	-	-	-	-	-	-	-	-
Increase in ownership interest	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(4 627 032)	-	-	(4 627 032)
Dividend declared and paid	-	-	-	-	-	-	(7 412 632)	(7 412 632)
Balance at 31 December 2018	**6 719**	**14 083 173**	**112 500**	**36 271 104**	**(6 789 226)**	**1 066 200**	**471 597**	**45 222 067**
AFS revaluation gain	-	-	-	-	-	1 805 744	-	1 805 744
Deferred tax on AFS	-	-	-	-	-	(18 057)	-	(18 057)
Profit for the year	-	-	-	-	-	-	81 420 756	81 420 756
Gain on revaluation of property and equipment, net of tax	-	-	21 272 933	-	-	-	-	21 272 933
Increase in ownership interest	-	-	-	8 033 317	5 905 296	-	-	13 938 613
Purchase of treasury shares	-	-	-	-	(11 098 900)	-	-	(11 098 900)
Dividend declared and paid	-	-	-	-	-	-	(20 976 846)	(20 976 846)
Balance at 31 December 2019	**6 719**	**14 083 173**	**21 385 433**	**44 304 421**	**(11 982 830)**	**2 853 887**	**60 915 507**	**131 566 310**

*The historic amounts are shown as supplementary information. This information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting for Hyperinflationary Economies. As a result the auditors have not expressed an opinion on this historic financial information.

Company's Statement of Cash Flows

For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST*	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	ZWL$	ZWL$	ZWL$	ZWL$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	245 595 480	123 195 422	83 348 026	9 415 467
Non cash items:				
Depreciation	473 069	96 876	286 028	11 250
Provisions	18 709 324	-	18 709 324	-
Fair value adjustment on financial assets at fair value through profit or loss	(2 068 568)	-	(2 068 568)	-
Net unrealised exchange gains and losses	(3 284 036)	-	(6 494 657)	-
Net cash generated before changes in operating assets and liabilities	**259 425 269**	**123 292 298**	**93 780 153**	**9 426 717**
Changes in operating assets and liabilities				
Decrease/(increase) in amounts due from related parties	36 462 852	(4 843 287)	(12 963 102)	(3 205 373)
(Increase)/decrease in other assets	(17 887 353)	990 269	(21 389 725)	(72 283)
(Increase)/decrease in amounts due to related parties	(95 313 352)	(64 029 262)	31 713 095	(2 225)
(Decrease)/increase in other liabilities	(19 953 605)	6 335 526	(1 733 623)	1 710 000
Increase in financial assets at fair value through profit or loss	(17 595 208)	(11 474 272)	(27 222 217)	(1 847 263)
	(114 286 666)	**(73 021 026)**	**(31 595 572)**	**(3 417 144)**
Income tax paid	(51 410 215)	-	(10 204 145)	-
Net cash generated in operating activities	**93 728 388**	**50 271 272**	**51 980 436**	**6 009 573**
Cash flows from investing activities				
Net change in subsidiary investments	(20 000 000)	-	(20 000 000)	-
Cash used in investing activities	**(20 000 000)**	**-**	**(20 000 000)**	**-**
Cash flows from financing activities				
Purchase of property and equipment	(1 880 964)	-	(1 373 891)	-
Purchase of treasury shares	(8 698 776)	-	(4 900 010)	-
Dividend paid	(58 418 959)	(63 831 666)	(20 976 846)	(7 412 632)
Proceeds from borrowings	-	-	-	-
Net cash used in financing activities	**(68 998 699)**	**(63 831 666)**	**(27 250 747)**	**(7 412 632)**
Net increase/(decrease) in cash and cash equivalents	**4 729 689**	**(13 560 394)**	**4 729 689**	**(1 403 059)**
Cash and cash equivalents at beginning of the year	3 826 687	17 387 081	616 065	2 019 124
Net exchange gains and losses on cash and cash equivalents	6 644 282	-	9 854 903	-
Cash and cash equivalents at the end of year	**15 200 658**	**3 826 687**	**15 200 658**	**616 065**

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Notes to the Company Financial Statements
For the year ended 31 December 2019

1 COMPANY ACCOUNTING POLICIES

The financial statements of the Company for the year ended 31 December 2019 are prepared in accordance with the same principles used in preparing consolidated financial statements of the Group. For detailed accounting policies refer to the Group's financial statements.

	INFLATION ADJUSTED		HISTORICAL COST	
	31-Dec-19 ZWL$	31-Dec-18 ZWL$	31-Dec-19 ZWL$	31-Dec-18 ZWL$
2 AMOUNTS DUE FROM RELATED PARTIES				
Share option balances due from subsidiaries	-	515 095	-	82 926
Other intercompany receivables	22 447 121	58 394 878	22 447 121	9 401 093
	22 447 121	**58 909 973**	**22 447 121**	**9 484 019**
Current	22 447 121	58 909 973	22 447 121	9 484 019
Non-current	-	-	-	-
Total	**22 447 121**	**58 909 973**	**22 447 121**	**9 484 019**

Amounts receivable from group companies were not considered impaired at year end.

	INFLATION ADJUSTED		HISTORICAL COST	
	31-Dec-19 ZWL$	31-Dec-18 ZWL$	31-Dec-19 ZWL$	31-Dec-18 ZWL$
3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
As at 1 January	9 415 750	2 470 261	1 515 858	286 866
Acquisition	-	-	-	-
Net fair value gain/(loss) transfer to equity	1 805 744	7 633 882	1 805 744	1 228 992
Impairment	-	-	-	-
Effects of IAS 29 application	(7 899 892)	(688 393)	-	-
As at 31 December	**3 321 602**	**9 415 750**	**3 321 602**	**1 515 858**

The financial assets at fair value through other comprehensive income include Zimbabwe Stock Exchange listed shares. During the year 31 December 2014, a dividend in specie was declared by one of the Company's subsidiary's consisting of their entire holding in Turnall Holdings Limited. In turn, the Company disposed of a portion of the shares through a dividend in specie. The intercompany transaction was fully eliminated in the consolidated financial statements. An unrealised gain was recognised on the remaining shares.

The remaining interest represents 5% of Turnall Holdings Limited. The fair value was ZWL$ 3 321 602 for these shares for the year.

	INFLATION ADJUSTED		HISTORICAL COST	
	31-Dec-19 ZWL$	31-Dec-18 ZWL$	31-Dec-19 ZWL$	31-Dec-18 ZWL$
4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
As at 1 January	11 474 272	-	1 847 263	-
Acquisitions	33 393 457	12 927 061	27 899 263	2 081 150
Disposals	(1 286 109)	-	(677 046)	-
Transfers	(9 026 500)	-	(9 026 500)	-
Net fair value gain/(loss) transfer to profit or loss	2 068 568	(1 452 789)	2 068 568	(233 887)
Effects of IAS 29 application	(14 512 140)	-	-	-
As at 31 December	**22 111 548**	**11 474 272**	**22 111 548**	**1 847 263**

The financial assets at fair value through profit or loss is comprised of Zimbabwe Stock Exchange listed shares.

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST	
		31-Dec-19 ZWL$	31-Dec-18 ZWL$	31-Dec-19 ZWL$	31-Dec-18 ZWL$
5	**INVESTMENT IN SUBSIDIARIES**				
5.1	**Investment in subsidiaries**				
	FBC Bank Limited	340 377 207	340 377 207	39 527 261	39 527 261
	FBC Building Society	111 917 934	111 917 934	12 996 785	12 996 785
	FBC Reinsurance Limited	89 626 998	51 626 998	43 995 330	5 995 330
	FBC Securities (Private) Limited	3 265 927	3 265 927	379 265	379 265
	FBC Insurance Company (Private) Limited	14 669 821	9 704 708	6 092 100	1 126 987
	Microplan Financial Services (Private) Limited	43 056	43 056	5 000	5 000
		559 900 943	**516 935 830**	**102 995 741**	**60 030 628**
5.2	**Movement analysis - investment in subsidiaries**				
	As at 1 January	516 935 830	516 935 830	60 030 628	60 030 628
	Recapitalisation of FBC Reinsurance Limited	38 000 000	-	38 000 000	-
	Additional investment in FBC Insurance Company (Private) Limited	4 965 113	-	4 965 113	-
	As at 31 December	**559 900 943**	**516 935 830**	**102 995 741**	**60 030 628**
6	**TIME - SHARE ASSET**				
	The Company increased its 45% share to 85% share in a houseboat for use by the Company's employees. The value stated is the value of the share held according to a professional valuation performed as at the reporting date.				
	Balance at 1 January	193 752	290 628	22 500	33 750
	Acquisition	1 880 964	-	1 373 891	-
	Depreciation	(473 069)	(96 876)	(286 028)	(11 250)
	Revaluation gain	1 961 978	-	2 453 262	-
	Balance as at 31 December	**3 563 625**	**193 752**	**3 563 625**	**22 500**
	The time - share asset is included in prepayments and other assets in the consolidated statement of financial position.				
7	**OTHER ASSETS**				
	ShoreCap blocked funds registration	5 000 000	-	5 000 000	-
	Norsad interest claim legacy debt	54 345 816	-	54 345 816	-
	Legacy Debt asset	167 734 000	-	167 734 000	-
	Other	3 821 772	4 174 419	3 821 772	672 047
		230 901 588	**4 174 419**	**230 901 588**	**672 047**

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL COST	
		31-Dec-19 ZWL$	31-Dec-18 ZWL$	31-Dec-19 ZWL$	31-Dec-18 ZWL$
8	**LAND**				
	Opening net book amount	38 964 453	-	4 524 857	-
	Additions		38 964 453	-	4 524 857
	Revaluation (loss)/gain	(13 964 453)	-	20 475 143	-
	Depreciation		-	-	-
		25 000 000	**38 964 453**	**25 000 000**	**4 524 857**
	If land was stated on historical cost basis, the amount would be as follows;	**38 964 453**	**38 964 453**	**4 524 857**	**4 524 857**
	For fair value techniques used to derive fair values please refer to Note 13 in the consolidate financial statements of the Group.				
9	**AMOUNTS DUE TO RELATED PARTIES**				
	Other intercompany payables	**58 418 357**	**127 375 305**	**58 418 357**	**20 506 372**
	The liability relates to amounts payable to FBC Reinsurance Limited, FBC Securities (Private) Limited and other balances due to Group companies.				
10	**OTHER LIABILITIES**				
	Provisions	21 672 018	9 388 016	21 672 018	1 511 393
	Norsad legacy debt future interest payable	33 084 344	-	33 084 344	-
	Unearned premium reserves	20 020 000	12 298 765	20 020 000	1 980 000
	Other	161 515	29 314	161 515	4 719
		74 937 876	**21 716 095**	**74 937 876**	**3 496 112**
11	**REVENUE**				
	Net interest expense	(14 848 681)	(1 727 925)	(7 473 071)	(213 390)
	Dividend income	115 673 064	67 041 492	48 332 879	7 845 540
	Management fees	73 008 142	22 036 529	34 722 348	3 200 000
	Net earned insurance premium revenue	16 180 959	11 926 078	7 500 000	1 920 000
	Net gain/(loss) on financial assets at fair value through profit or loss	2 068 568	(1 452 789)	2 068 568	(233 887)
	Exchange gains	6 494 657	-	6 494 657	-
	Legacy debt interest claim	18 021 472	-	18 021 472	-
	Other	13 552 729	60 202	3 045 330	9 692
		230 150 909	**97 883 586**	**112 712 183**	**12 527 955**

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
12 OPERATING EXPENDITURE	ZWL$	ZWL$	ZWL$	ZWL$
Staff costs	26 646 645	21 026 853	22 388 145	2 410 283
Administration expenses	7 015 160	5 833 311	5 894 041	668 666
Audit fees	947 341	194 448	795 943	22 289
Depreciation	473 069	96 876	286 028	11 250
	35 082 215	**27 151 487**	**29 364 157**	**3 112 488**
13 TAXATION				
The following constitute the major components of income tax expense recognised in the statement of comprehensive income				
Analysis of tax charge in respect of the profit for the year				
Current income tax charge	9 810 204	-	(12 819 231)	-
Deferred income tax	(10 765 454)	20 506 498	10 891 961	(1 726 044)
Prior year under provision			-	-
Income tax expense	**(955 250)**	**20 506 498**	**(1 927 270)**	**(1 726 044)**
14 EARNINGS PER SHARE				
14.1 Basic earnings per share				
Profit attributable to equity holders of the parent	246 550 730	102 688 924	81 420 756	7 689 423
Total	**246 550 730**	**102 688 924**	**81 420 756**	**7 689 423**
Basic earnings per share (ZWL cents)	39.94	16.07	13.19	1.20

	Shares issued	Shares outstanding	Weighted
Year ended 31 December 2019			
Issued ordinary shares as at 1 January	671 949 927	627 122 645	627 122 645
Treasury shares purchased	-	(19 881 345)	(9 761 017)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**607 241 300**	**617 361 628**

	Shares issued	Shares outstanding	Weighted
Year ended 31 December 2018			
Issued ordinary shares as at 1 January	671 949 927	640 122 645	640 122 645
Treasury shares purchased	-	(13 000 000)	(1 246 575)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**627 122 645**	**638 876 070**

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

14.2 Diluted earnings per share
Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

	INFLATION ADJUSTED		HISTORICAL COST	
	31-Dec-19 ZWL$	31-Dec-18 ZWL$	31-Dec-19 ZWL$	31-Dec-18 ZWL$
Earnings				
Profit attributable to equity holders of the parent	246 550 730	102 688 924	81 420 756	7 689 423
Total	**246 550 730**	**102 688 924**	**81 420 756**	**7 689 423**
Weighted average number of ordinary shares at 31 December	**617 361 628**	**638 876 070**	**617 361 628**	**638 876 070**
Diluted earnings per share (ZWL cents)`	39.94	16.07	13.19	1.20

14.3 Headline earnings per share

	INFLATION ADJUSTED 31-Dec-19 ZWL$	INFLATION ADJUSTED 31-Dec-18 ZWL$	HISTORICAL COST 31-Dec-19 ZWL$	HISTORICAL COST 31-Dec-18 ZWL$
Profit attributable to equity holders of the parent	246 550 730	102 688 924	81 420 756	7 689 423
Adjusted for excluded remeasurements	-	-	-	-
Headline earnings	246 550 730	102 688 924	81 420 756	7 689 423
Weighted average number of ordinary shares at 31 December	**617 361 628**	**638 876 070**	**617 361 628**	**638 876 070**
Headline earnings per share (ZWL cents)	39.94	16.07	13.19	1.20

Shareholding Information
For the year ended 31 December 2019

Spread of shareholding

Range	Shareholders Number	% of Holders	Shares held Number('000)	% of Shares
0 - 100	1280	15.49	107	0.02
101 - 200	1564	18.93	290	0.04
201 - 500	2520	30.49	798	0.12
501 - 1 000	954	11.54	670	0.10
1 001 - 5 000	1239	14.99	2 834	0.42
5 001 - 10 000	249	3.01	1 790	0.27
10 001 - 50 000	260	3.15	5 412	0.81
50 001 - 100 000	62	0.75	4 690	0.70
100 001 - 500 000	70	0.85	16 108	2.40
500 001 - 1 000 000	15	0.18	9 856	1.47
1 000 001 - 10 000 000	39	0.47	165 535	24.64
10 000 001 -	12	0.15	463 859	69.03
Total	**8 264**	**100.00**	**671 950**	**100.00**

Analysis of shareholding

Industry	Shares held Number('000)	%
Banks	55	0.01
Companies	246 151	36.63
Employee	1 083	0.16
Deceased Estates	17	0.00
External Companies	49 319	7.34
Fund Managers	44	0.01
Insurance Companies	16 778	2.50
Investment Trusts And Property	223	0.03
Local Resident	25 690	3.82
Nominees Local	9 327	1.39
Non Residents	23 163	3.45
Non Resident Individual	9 304	1.38
Other Corporate Holdings	38	0.01
Pension Fund	290 758	43.27
Total	**671 950**	**100.00**

Top ten shareholders

Institution	Shares held Number('000)	%
NATIONAL PENSION SCHEME	236 037	35.13
SHORECAP II LIMITED NNR	47 950	7.14
TIRENT INVESTMENTS (PRIVATE) LIMITED	41 631	6.20
STANBIC NOMINEES (PRIVATE) LIMITED	33 948	5.05
FBC HOLDINGS LIMITED	30 346	4.52
CASHGRANT INVESTMENTS (PVT) LTD	27 620	4.11
STANBIC NOMINEES (PRIVATE) LIMITED (NNR)	22 163	3.30
FBC REINSURANCE COMPANY LIMITED	21 362	3.18
STRAUSS ZIMBABWE (PVT) LTD	17 026	2.53
VIDRYL INTERNATIONAL (PVT) LTD	11 408	1.70
Total	**489 491**	**72.85**

Performance on the Zimbabwe Stock Exchange	2019	2018
Number of shares in issue	671 949 927	671 949 927
Market prices (ZWL cents per share)		
Closing	65.25	35.00
High	65.25	35.00
Low	29.00	20.00
Market Capitalisation (ZWL$)	**438 447 327**	**235 182 474**

Notice of Annual General Meeting (continued)

Notice is hereby given that the Sixteenth Annual General Meeting of Shareholders of FBC Holdings Limited will be held by way of remote voting on Tuesday, 30 June 2020 at 1500 hours.

Agenda

1. To approve the holding of Annual General Meetings through virtual/electronic means and/or by way of remote voting.

2. To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2019.

3. To sanction the dividend paid.

4. To elect Directors of the Company.

4.1. In terms of Article 95 of the Company's Articles of Association, Messrs. Gary Collins, Canada Malunga and Rutenhuro Moyo retire by rotation. Being eligible, Messrs. Collins, Malunga and Moyo offer themselves for re-election.

4.2. To confirm the appointment of Messrs. Aeneas Chuma and Charles Msipa to the Board.

4.3. To note the retirement of Mr. Felix Gwandekwande from the Board.

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

6 External Auditors

6.1. To approve the remuneration of the auditor, Messrs. Deloitte & Touche Chartered Accountants (Zimbabwe) of Harare for the past audit and to note the retirement of Messrs. Deloitte & Touche Chartered Accountants (Zimbabwe) of Harare as auditor of the Company in compliance with Section 41 (4) of the Banking Amendment Act, 2015.

6.2. To approve the appointment of Messrs. KPMG Chartered Accountants (Zimbabwe) of Harare as auditor of the Company for the ensuing year.

7. Special business

Share buy-back as ordinary resolutions
To consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following-:

7.1. Purchase of own shares
That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 128 (1) of the Companies and Other Business Entities Act (Chapter 24:31) to purchase the Company's own shares subject to the following terms and conditions: The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (five percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

7.2. The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.

Notice of Annual General Meeting (continued)

7.3. This authority shall expire on the date of the Company's next Annual General Meeting.

7.4. That the shares purchased according to this resolution shall be utilized for treasury purposes.

Directors' statement

In relation to the aforesaid proposed resolution, the Directors of the Company state that:-

(i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.

(ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.

(iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.

(iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.

8. To transact all such other business as may be transacted at an Annual General Meeting.

By order of the board

Tichaona Mabeza
Company Secretary

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE

8 June 2020

Notice of Annual General Meeting (continued)

FORMAT OF THE ANNUAL GENERAL MEETING AND SUPPLEMENTARY INFORMATION

1. Welcome Remarks

Ladies and Gentlemen, my name is HerbertNkala and I am the Chairman of FBC Holdings Limited.

I welcome you all to your Company's Sixteenth Annual General Meeting and hope that you are keeping yourselves protected in line with the World Health Organization's advice which is to be SAFE from corona virus infection, be SMART & inform yourselves about it and be KIND & support one another.

2. Resolution on holding of Shareholder Meetings

2.1. A resolution was passed by the board of directors of FBC Holdings Limited on 1 June 2020 authorising the holding of Annual General Meetings or any other meetings of shareholders through virtual/electronic means and/or by way of remote voting in light of the Covid-19 pandemic and in advancement of the Group's digitalisation thrust.

2.2. The first decision to be made by shareholders for this meeting will therefore be to decide on the holding of Annual General Meetings or any other meetings of shareholders by virtual/electroinc means and/or by way of remote voting.

3. Meeting Procedure

Due to the Covid-19 pandemic which has seen the country being placed under lockdown, we have had to modify the way we conduct the Annual General Meeting for the year 2020. As a result of the limited capacity to conduct an online meeting, safety requirements and limited numbers imposed for physical meetings, we felt it necessary to conduct this meeting by way of remote voting. Accordingly, the meeting will be conducted as detailed below.

4. Conduct of the Meeting

4.1. Proposed resolutions for the meeting have been tabled hereunder for your consideration and vote. Your duly completed voting Proxy Forms should be returned either through the post on the address P. 0 . Box 4282, Harare or hand - delivered for the attention of the Company Secretary, Tichaona Mabeza at 6th Floor, FBC Centre, 45 Nelson Mandela Avenue, Harare or to our transfer secretaries at Number 1 Armagh Avenue, Eastlea, Harare. Alternatively the duly completed voting Proxy Forms can be returned electronically to the following e-mail addresses: tichaona.mabeza@fbc. co.zw or info@fts-net.com

4.2. Before I get to the business of the Annual General Meeting, I would like to update you on a few pertinent issues regarding your Company.

4.3. Ladies and gentlemen, the year 2019 proved to be one of the most difficult for the country. The year witnessed the abolition of the multiple currency regime introduced in 2009 and eventually the adoption of the ZimbabweDollar as the sole official currency for domestic transactions in June 2019. The local currency however lost value against major currencies of the world, initially commencing trading against the US Dollar at 2.5 in February 2019 and ending at around 16.7734 against the US Dollar in December 2019. Inflation which was in single digits at the beginning of the year ended the year at 521%. These two key economic indicators made planning difficult for organizations operating in the country, including your Company.

4.4. I would also like shareholders to note that results of FBC Holdings Limited for the year ended 31 December 2019 are presented on an inflation adjusted basis, following the categorization of Zimbabwe as a hyperinflaitonary economy. The historical performance of the Group is presented for your noting.

4.5. Ladies and gentlemen, as we all know, the Covid-19 pandemic has affected our country in a variety of ways, with one of the most significant being the national lockdown which is currently in an indefinite phase. I am pleased to inform you that your Company has taken concrete steps to ensure that the spread of the corona virus is minimized, both for all its stakeholders and the nation at large. In playing its part as a responsible corporate citizen, the Group made donations meant to fight against the pandemic to various institutions. It is also for this reason that the 2020 Annual General Meeting is being held by way of remote voting where we are asking shareholders to vote on resolutions remotely and return the proxy forms for our attention as requested.

4.6. In order to assist shareholders in deciding on the resolutions as presented, I hereby provide the following information.

Notice of Annual General Meeting (continued)

5. Adoption of Financial Statements

The audited inflation adjusted financial statements of FBC Holdings Limited and its subsidiaries are provided in the 2019 Annual Report and comprise the inflation adjusted consolidated and separate statement of financial position as at 31 December 2019, and the inflation adjusted consolidated and separate profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statement of changes in equity and the inflation adjusted consolidated and separate statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies. The 2019 Annual Report will be availed to members on or before Tuesday, 16 June 2020.

6. Sanctioning of the dividend paid

6.1. The Board of Directors of FBC Holdings declared a first interim dividend of 2.232 ZWL cents per share on 671 949 927 ordinary shares in issue on 28 August 2019. The dividend amounted to ZWL$ 15 589 238 and was paid in full on or about 16 September 2019 to all shareholders who were registered in the books of the Company on Friday, the 13th of September 2019.

6.2. The Board declared a second interim dividend of 2.98 ZWL cents on 671 949 927 ordinary shares in issue on 12 December 2019. The second interim dividend amounted to ZWL$ 20 024 108 and was paid in full on or about 9 January 2020 to all shareholders registered in the books of the Company as at the close of business on Friday, the 3rd of January 2020.

6.3. On 27 March 2020, the Board of Directors resolved to make the second interim dividend declared on 12 December 2019 a final dividend due to the need to meet capitalization requirements of Group subsidiary business units.

6.4. The total dividend for the year 2019 amounted to ZWL$ 35 613 346.

7. Re-election of retiring Directors

7.1. All directors retiring by rotation and offering themselves for re-election will be appointed by separate resolutions.

7.2. Messrs. Gary Collins, Canada Malunga and Rutenhuro Moyo are retiring by rotation and being eligible, are offering themselves for re-election.

7.3. Mr. Collins is an expert on the nexus between digital innovation, leading edge technologies and core value in banking and diversified financial services. He is founderand Chief Executive Officer of Solveworx (Pty) Limited, Australia.

7.4. Mr. Malunga is a Chartered Accountant who has held senior and executive positions in a number of organizations and is currently the Managing Director of Masimba HoldingsLimited.

7.5. Mr. Moyo has wide international experience and has held senior positions with international corporations such as Anglo American Corporation Zimbabwe, Old Mutual and Coca Cola Central Africa.

8. Confirmation of the appointment of new Directors

8.1. All new directors to be confirmed will be appointed by separate resolutions.

8.2. Two new directors were appointed to the Board during the course of the year. The two new members namely, Messrs. Aeneas Chuma and Charles Msipa have to be confirmed at this meeting.

8.3. Mr. Chuma has in excess of 30 years diverse experience in development work with the United Nations in various countries and is a holder of an Msc in Applied Economics.

8.4. Mr. Msipa is a lawyer by profession with years of experience at a senior level in various organizations and is currently Group Managing Director of Schweppes Holdings Africa Limited.

9. Retirement of a Director

9.1. Mr Felix Gwandekwande retired from the Board on 30 September 2019 after serving the Group for a period of 22 years in various capacities. I would like to take this opportunity to thank Felix for the valuable service he provided over the years.

Notice of Annual General Meeting (continued)

10. Remuneration of Directors

10.1. Remuneration and emoluments for the Group's non - executive directors amounted to ZWL$ 9 417 347. A total of 25 non - executive directors served the Group during the course of the year. All in all non - executive directors attended a total of 28 Main Board Meetings and 116 Board Committee Meetings during the course of the year.

10.2. The FBC Group has six subsidiary companies each with separate boards of directors, comprised of the required ratios between executive and non - executive directors as well as independent and non - independent directors so as to satisfy the compliance and governance requirements of the Group's regulators namely, the Reserve Bank of Zimbabwe, the Insurance and Pensions Commission, the Securities and Exchange Commission of Zimbabwe and the Zimbabwe Stock Exchange.

11. Remuneration of Auditors, Deloitte &Touche

11.1. Audit fees payable to Deloitte & Touche amounted to ZWL$ 3 292 243. The audit fees relate to the holding company and its six subsidiary companies.

11.2. Deloitte & Touche are retiring as auditors for the Group having served the Group for five years following their appointment on 25 June 2015. Their retirement is in line with Section 41 (4) of the Banking Amendment Act, which requires that an auditor's term of office be limited to 5 years.

11.3 Appointment of KPMG as Auditors for the Company

11.3.1 KMPG are an international accounting firm with firms around the globe and has experienced local partners for the Zimbabwean operation. KPMG has previously served as auditors of FBC for the years 1997 to 2009.

12. Purchase of own shares

12.1. Included in the Notice of the Annual General Meeting, is some special business for a Share Buy Back as Ordinary Resolutions. To date 64 708 627 shares which equate to 9.62% of the issued share capital of the company have been purchased under the share buy-back arrangement and through the Group's insurance subsidiaries. We believe that it will be beneficial to shareholders for the share buyback arrangement to be put in place as we strongly believe that the FBCH share price still has the potential to significantly go up. Accordingly, the remote voting process is asking shareholders to consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following-:

12.2. THAT the Directors be and are hereby authorized in terms of section 50 of the Company's Articles of Association and Section 128 (1) of the Companies and Other Business Act (Chapter 24: 31) to purchase the Company's own shares subject to the following terms and conditions:-

12.3. The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (live percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

12.4. The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent)of the ordinary shares of the Company in issue prior to the date of this resolution.

12.5. This authority shall expire on the date of the Company's next Annual General meeting.

12.6. That the shares purchased according to this resolution shall be utilized for treasury purposes."

13. Results of the Annual General Meeting

13.1. Results of the Annual General Meeting will be published in the press on Tuesday, 14 July 2020

14. Dedicated Toll-Free Number

14.1. A dedicated toll - free number 0242 779 369 has been put in place in order to attend to any questions or queries shareholders may need addressed.

14.2. Alternatively, shareholders may send their queries or questions to tichaona.mabeza@fbc.co.zw

Proxy Form

For the year ended 31 December 2019

I/We ……………………………………………………………………………………...............…………………………………
Names(in block letters)

of ………………………………………………………………………………………...............………………………………….
(address in block letters)

Being (a) member(s) of the Company and entitled to vote, do hereby appoint…………………..

....

Or, failing him/her ……………………………………………………………………...............………………………………..…

Or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the Company to be held on Tuesday, 30 June 2020 at 1500 hours and at any adjournment thereof, as follows:

				In favour of	Against	Abstain
1	Resolution to approve the holding of Annual General Meetings or any other meetings of share- holders by virtual or electronic means and/or by way of remote voting.					
2	Resolution to adopt the company annual financial statements.					
3	Resolution to sanction payment of dividend					
4	4.1.	Resolution to re-elect retiring directors.				
		4.1.1	Resolution to elect Gary Collins.			
		4.1.2	Resolution to elect Canada Malunga.			
		4.1.3	Resolution to elect Rutenhure Moya.			
	4.2.	Resolution to confirm the appointment of new directors to the Board.				
		4.2.1	Resolution to confirm the appointment of Aeneas Chuma.			
		4.2.2	Resolution to confirm the appointment of Charles Msipa.			
5	Resolution to approve the remuneration of the directors.					
6	6.1.	Resolution to approve the remuneration of auditors, Deloitte & Touche Chartered Accountants .				
	6.2.	Resolution to appoint KPMG Chartered Accountants as Auditor of the Company.				
7	Resolution to purchase the company's own shares.					

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at……………………………………...............………on…………………...……………………………………………….2020

Full name(s) ………………………………………………………...............……………………………………………………
(in block letters)

Signature(s) ………………………………………………………...............…………………………………………………………

Notes:
In order to be effective , proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Private) Limited, 1 Armagh Avenue , Eastlea, P O Box 11, Harare or to the Company Secretary, 6th Floor, FBC Centre, 45 Nelson Mandela, Harare so as to reach any of these addresses not later than 1200 hours on Sunday, 28 June 2020.

Yours sincerely,

Herbert Nkala
Group Chairman

NOTES

FBC Holdings Limited
strength • diversity • service