



Fresh Thinking. Smart Banking.



# AFRICAN BANKING CORPORATION OF ZIMBABWE LIMITED

Abridged Audited Consolidated Financial Results For The Year Ended 31 December 2019

## Balance Sheet Size

Inflation Adjusted



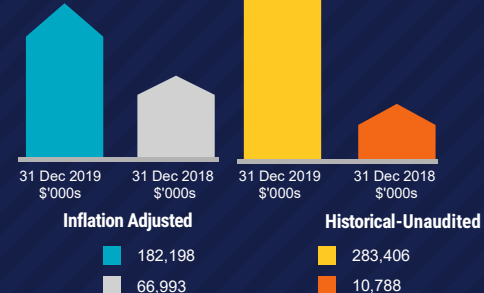
Historical-Unaudited



Profit After Tax

(172%)

(2 527%)



## Liquidity Ratio

140% 31 Dec 2019

70% 31 Dec 2018



### CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

#### Introduction

I am pleased to present to you our 2019 consolidated financial statement at a time when the business has gone through significant transformation as part of our strategy to reposition the Bank into a premier financial services provider in the country. During the period under review, the Board appointed a new Chief Executive Officer, Dr. Lance Shingai Mambondiani who joined us on 1 July 2019 to spearhead the Bank's next growth phase. The new CEO was mandated to by the Board to implement a restructuring of the business to increase our competitive advantage in a fast changing environment and consolidating a business that is capable of delivering operational and financial efficiencies during turbulent times.

The restructuring process has resulted in the implementation of an aggressive digitisation agenda to increase our operational efficiency and serve our customers better. Our stated goal is to position the Bank to compete with the best in the world using home grown innovations and solutions relevant to the market we serve. We are encouraged that our business is now positioned for success and on a firm path to deliver substantial returns to the shareholder.

#### Operating Environment

The challenges and increasing volatility in the operating environment require no introduction. In 2019, negative economic growth of between 6.5% and 7.5%, coupled with a dry season, led to rising levels of poverty which put over 50% of the Zimbabwean population (about 7.5 million people) at risk of starvation. The deteriorating operating environment has placed enormous pressure on the country's social infrastructure, deepening of disintermediation, informalisation of the economy and a deterioration in income levels for the majority of the population.

In June 2019, the Government introduced the Zimbabwe dollar ("ZWL" or "\$") as the sole legal tender, ending the multi-currency regime that had been in place for over a decade. The ZWL depreciated by over 560% against the United States dollar ("USD"), moving from a rate of ZWL2.5 per in February 2019 to a rate of ZWL16.74 by December 2019 against the USD. Exchange rate depreciation has led to the resurgence of accelerating inflation which increased from 42.1% y-o-y in December 2018 to 521% y-o-y in December 2019. As a result of the increase in inflation in recent years, the Zimbabwe economy is considered hyperinflationary. Therefore, the consolidated financial statements for the year ended 31 December 2019, and the information included in this Press Release include the effects of the restatement criteria established in International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies ("IAS 29").

The Private Sector Credit ("PSC") advanced by banks increased by 174% y-o-y from ZWL4.1bn in 2018 to ZWL11.1bn in 2019. This growth is, however, considered low given that PSC was broadly stagnant for the past five years. On the other hand, bank deposits, which have largely been driven by rapid growth in Reserve money increased by 250% y-o-y to ZWL35bn in 2019. The loan to deposit ratio has trended downward over the years from around 70% in 2016 to around 34% in 2019. To promote and encourage lending, the Central Bank capped interest rates during the period, ending the year at 35%.

Looking ahead, the world economy is headed for a recession as a result of the COVID-19 pandemic that will severely impact growth rates across all regions with world output projected at -3.0% and the Sub Saharan Africa 2020 economic projection at -1.6%. Below normal rain season will likely suppress the extent of the recovery. Low water levels also mean that the hydropower generation and therefore electricity supply will remain depressed. The 2020 financial year is expected to present extreme headwinds globally adding to the weaknesses on the domestic market. Besides these many challenges, we believe that there are sufficient opportunities in the economy to re-ignite economic growth to move the country from the baseline scenario to a trajectory that delivers higher growth levels.

#### Financial Results

Despite the challenging external environment, I am pleased to advise that the Bank's total operating income grew by \$468m or 869% against \$54m in the prior year. Restated for hyperinflation, operating income grew by 136% outpacing inflation when compared to the restated \$334m income in 2018. This top-line growth filtered through to the bottom-line, as profit after tax in both historical and inflation adjusted terms was up 26x and 2.6x from 2018 at \$283m and \$176m respectively. 2019 is compared to the restated profit after tax of \$67m.

The Bank's loan origination efforts continued to focus on strict underwriting standards from Small to medium size enterprises ("SMEs"), commercial, consumer unsecured lending and retail segments which contributed to an improvement in expected credit losses relative to the growth in credit risk assets in the year under review. A more detailed analysis of our financial performance is presented in the CEO's report.

The Bank's total regulatory capital stood at \$614m, up \$520m from prior year's \$94m. This was largely driven by organic growth, retained earnings and balance sheet restructuring. Related regulatory ratios increased to 46.8% from 39% in the prior year. The strengthening of these ratios illustrates the Group's efforts to adapt to the operating environment and solid balance sheet. In the January 2020 monetary policy update, the Central Bank reviewed Tier 1 capital requirements to a minimum of USD30m to be achieved by the 31 December 2020. The Bank's

reported capital was equivalent to USD25m as at 31 December 2019 and is on course to reach the minimum regulatory requirement through organic growth. Management will continue to drive the capital preservation agenda in light of the foreign currency benchmark.

The Bank's 2019 balance sheet was strengthened by foreign denominated investments and growth in the property portfolio. This helped offset the negative effects of inflation and saw the restated balance sheet end the year at \$2.7bn. Total deposits rose by 220% to \$1bn in 2019 from \$309m reported in 2018 due to good growth in the pool of corporate deposits.

#### Technology Focus

As part of our transformation, a key strategic focus is transforming the Bank for success in the digital world. Investing in technology remains a key priority for the Bank and will enable us to improve customer experience. Significant process has also been made in the recruitment of appropriate and relevant skills to support the technological transformation. To accelerate this process and to enhance our capabilities, we are working and collaborating with a number of Fintechs and technology partners with the capacity to collaborate with the business on platform-based services.

Technological changes have been visible in the service sector. Self-service platforms have become commonplace. Self-service capabilities combined with data insights mean that personalised services are extended to customers for a unique experience. The efficiencies that arise from Artificial Intelligence and Robotic Process Automation tools will generate greater returns and rewards over time. In the year under review, the bank embarked on a digital transformation journey to increase throughput to our customers as one of our key strategic pillars.

#### Investing Where the Need is Greatest

The Bank's other strategic focus is to invest in and participate in the intermediation and financing of projects of a national significance. The Corporate and Investment Banking ("CIB") and Business Banking units at the Bank have shifted their focus to participating in infrastructure and energy related projects. The two units have supported the rehabilitation of the country's road networks, service delivery projects across most major cities and funding alternative energy solutions to supplement the current supply shortages on the national grid.

For us, the infrastructure gap in Africa presents a great opportunity. Infrastructure acts as a key enabler of economic activity to boost the production capacity of economies across the continent. Financing the development of housing, energy, water and sanitation, transport and communication should yield results in well-constructed policy environments. One of our key priorities is to contribute to the financing and development of alternative energy solutions and limiting the impact of climate change. The CIB team is accelerating financing the growth of renewable energy sources at a retail and corporate level and proactively supporting the development of Zimbabwean businesses working to address the country's power deficit.

An exemplary project in which BancABC has taken the place of lead financial advisor is the Sakubva Urban Renewal project. The Bank is playing an active role in syndicating a project that will see the construction of a modern apartment complex as well as market stalls for vendors. Sakubva Urban Renewal is just one example of several projects we aim to deliver on in the 2020 financial year before we can extend similar projects across the country.

#### Here for Good – BancABC Corporate Social Responsibilities (CSR) 2019

Across the regional markets in which Atlas Mara serves, our mission is to build lifelong relationships with customers and communities. As a corporate citizen, BancABC is working to positively impact lives in Zimbabwe. The future of our business is inherently linked to the future of the communities in which we do business, which is why BancABC has chosen to make a difference by investing in the most vulnerable and valuable communities which includes, women, children, youth and supporting arts and culture. BancABC Corporate Social Responsibility initiatives are aimed at addressing the socio-economic imbalances in the communities in which we operate through the provision of sustainable tools and development, to effectively develop an environment that is conducive for wealth creation. Some of the activities we have been involved in are set out below.

#### Partnership with Eatout Movement

In 2019, BancABC worked together with a charity organisation known as EatOut Movement that feeds the homeless and endeavours to get them off the street by partnering with different organisations in providing training, employment, identification documents and bank accounts among many others.

The Bank provided financial literacy workshops throughout the year and opened accounts for the first group of people who had successfully completed apprenticeship training at SANDVIK Mining Zimbabwe ("SANDVIK"). This first group was offered jobs at SANDVIK and the Bank opened accounts for them to enable their salaries to go through. This program is still ongoing.

#### Cyclone Idai Relief Efforts

The Bank responded to the cyclone Idai disaster that hit the Manicaland region in 2019 by donating 25 tonnes of food, blankets, detergents and other groceries to the region. The Bank also mobilised staff to donate 5 tonnes of relief goods which the Bank transported and handed over to CARITAS in Chimanimani together with the Bank's donation. Staff from Mutare branch accompanied the donations and helped with the distribution in Chimanimani.

#### Sanitary Wear Handover to Chiredzi

The Bank donated sanitary wear worth ZWL500 to the Member of Parliament ("MP") for Chiredzi, Hon Musikavanhu after he made a request through the Chiredzi branch to assist affected school girls in his constituency. The branch staff members purchased the sanitary wear and handed them over to the MP for onward donation to the schools affected.

#### 777 Campaign

To end the year, the Bank held a 777 campaign where we put a call out on social media for 7 of the Bank's customers and staff members to nominate 7 charities or projects of their choice whom they wanted us to support on their behalf for the 7 days leading up to Christmas. The chosen charities were as follows:

- 1. Sikkethimpilo Centre** in Bulawayo which caters for under privileged families in surrounding rural areas. The bank donated 20 food hampers that were distributed to deserving families in time for the festive season.
- 2. Green Valley Clinic** in Dowa, Chinhoyi, where an examination desk for use in their clinic was donated.
- 3. Bumhudozo Old People's Home** in Highfields, Harare, which needed food for its patients. 25 food hampers were donated in time for Christmas.
- 4. Mwanasikana Penny**, an organisation that makes Sanitary wear for girls in Epworth, nominated for assistance by the Bank's staff members. The organisation needed fabric, thread, a sewing machine and other raw materials used to make reusable sanitary pads. The girls were taught how to make the pads and are currently self-sustaining.
- 5. Mums A Genius** in Mt Pleasant Harare, that runs an orphanage and needed groceries. The Bank donated grocery hampers to this orphanage.
- 6. Angel of Hope Foundation**, which focuses on assisting underprivileged women in Harare. The Bank donated grocery hampers to women in Epworth.
- 7. A Smile for Christmas** run by Dr Anesu, who the Bank partnered up with to carry out corrective surgery and dental work for a single mother who had not smiled for years due to missing teeth and other dental problems. She was nominated by her children.

#### Board Changes

During the year, Dr. Lance Mambondiani was appointed Managing Director effective

1 July 2019 to replace Mr. Joseph Sibanda who retired on 31 August 2019. Further, Dr. Daniel Boda Ndlela and Mr. Julius Phiri resigned from the Board on 25 November 2019 and 28 November 2019, respectively. On behalf of the Board and the Shareholder, I would like to thank Messrs Sibanda, Ndlela and Phiri for their immense contributions to the Bank and wish them well in their future endeavours.

Mrs. Clara Mlambo and Mr. Bhikinkosi Nkomo were appointed to the Board in November 2019 and I take this opportunity, on behalf of the Board, to wish them success during their tenure at BancABC.

#### Appreciation and Outlook

Finally, after nine (9) years at BancABC, I would like to take this opportunity to announce that I served out my last term and will be retiring as Chairperson of BancABC. It has been a privilege for me to be a part of this great institution and to serve our various stakeholders. I wish to thank my fellow Board members, management, the shareholder and the regulator for supporting me throughout my tenure. I also wish to thank all our customers for choosing us over and over again even through some difficult patches we may have had over the years.

I leave the Bank in the capable hands of Mr. Albert Katsande, our senior non-executive director who takes over from me as Chairman of the Bank. The Board has made an excellent choice which enhances continuity in the transformation exercise that is currently underway. I have every confidence that Albert will be a fitting and superb replacement.

In my final act as Chairman, I worked with directors to craft the direction of the Bank under new leadership and we are confident that the steps being undertaken in the new strategy and will position the Bank to navigate the future. Mr. Katsande together with his Board possess the requisite skills and experience to usher the Bank into the new era of "Smart Thinking, Fresh Banking".

A. Mabehena  
Outgoing Non-executive Chairman

#### CEO's FY2020 REPORT

##### Business Unusual - Fresh Thinking, Smart Banking

I am pleased to present my first BancABC performance review for the 2019 financial year in which the Bank recorded a solid financial performance in an extremely challenging environment. The Bank's performance indicates significant progress in our strategy to reposition as a premier financial services player in Zimbabwe. In July 2019, the Board announced an ambitious plan to transform the Bank for success in a digital world. Underpinning this strategy is our commitment to our purpose, to be fresh in our thinking and smart in delivering simplified banking services to our customers who rely on us for their day to day banking service.

We are committed to delivering financial solutions that are relevant to our customers' day to day needs and reducing the cost of service using innovation and technology. In the year under review, the Bank launched our Customer Service Commitment – SIMPLIFIED, a benchmark on how we expect to service all our customers and developing better customer experiences across all of our channels. Despite the competitive and challenging environment in which we operate, the Bank remains committed to distinguish itself from its peers by focusing on our roots, being a significant player in supporting Zimbabwean businesses through various phases of their growth and providing our retail customers with robust digital platforms that allow them to do their banking no matter where they are.

#### Economic Headwinds

The operating environment in the year under review was a challenging one, characterised by external headwinds and rapid changes in the regulatory environment. The economy contracted by 7.5% in 2019 as a result of foreign currency shortages, a rapidly depreciating currency and high inflation. This had a destabilising effect on economic actors as we had a reactive rather than proactive approach to dealing with the tectonic shifts in the economic landscape. The Mining and Agriculture sectors shrunk whilst industry capacity utilisation was down 11.8% to 36.4% in 2019 from 48.2% in 2018. Tight liquidity conditions and shortages of fuel and electricity crippled productivity.

To preserve shareholder value, the hyperinflationary environment requires us to take a more cautious approach in underwriting long term assets to avoid value destruction. For the CIB, Retail and Business Banking units in particular, the operating environment has meant reduced lending activities due to the negative returns. Despite these challenges, we believe that our many economic challenges also present us significant opportunities in supporting new areas of growth. As detailed in the Chairman's statement, the management team has been engaged in various structures we believe can hedge shareholder value whilst participating in critical national projects such as financing renewable energy projects and infrastructure development.

#### Financial Performance

I am pleased to advise that the Bank recorded a strong set of results in the year under review. Profit after tax grew exponentially, to \$283m in historical terms and \$176m in inflation adjusted terms, up 2.6 times from the inflation adjusted \$67m reported in the 2018 financial year. Despite the challenging external environment, total operating income grew by \$468m or 869% against \$54m in the prior year. Restated for hyperinflation, operating income grew by 136% outpacing inflation when compared to the restated \$334m income recorded in 2018. This was on the back of a significant improvement in fees and commissions, growth in forex trading and gains on the bank's hedged investments and property portfolio.

Strategic investments in bonds, lending and deposit mobilisation activities generated net interest income of \$162m and \$69m in restated and historical terms respectively. Historically, for the CIB, Retail and Business Banking units in particular, the operating environment has meant reduced lending activities due to the negative returns. Despite these challenges, we believe that our many economic challenges also present us significant opportunities in supporting new areas of growth. As detailed in the Chairman's statement, the management team has been engaged in various structures we believe can hedge shareholder value whilst participating in critical national projects such as financing renewable energy projects and infrastructure development.

Cost of risk was low at \$18m driven by provisions instruments booked in lieu of legacy debt. The Group's loan origination efforts continued to focus on strict underwriting standards from SME, commercial, consumer unsecured lending and retail segments. Revenue growth was complemented by controlled growth in costs despite inflation rising to 521% and exchange rate closing the year at 16.77. Adjusted for the currency and investment property gains, the cost to income ratio improved from 76% to 32% in historical cost accounting terms.

The Retail and Business Banking client base grew by 87%. Payments and Digital Financial Services volumes grew year on year. Retail and Business Banking clients migrated to digital channels to complete basic transactions. The increase in fees and commissions has also been a result of the improvements recorded on our digital transformation platforms. The Bank is accelerating development of new features and customer experience improvement on our various digital channels to increase access to its services.

#### Refreshing the Brand

Apart from the real drivers of growth, the Bank has undertaken a comprehensive review of its strategy to reassert ourselves as a bank of choice to all Zimbabweans, built on a strong capital and liquidity base, increased support to the country's productive sector, focusing on the requirements of the our individual customers and small businesses, enhancement of our digital platforms and improving customer experience for all of our clients who rely on our products and services. As part of a pan-African group, BancABC is proud to be a part of a Pan African group serving the needs of a wider African market. The impact on ordinary lives remains the core focus of the Atlas Mara Limited group. The power of the African stories we represent and

have become a part of, is an endearing and fulfilling purpose to us. It is a story we will continue to tell.

Distinguishing ourselves through a superior customer experience will remain at the core of our strategy. As part of our ongoing transformation process, the Bank embarked on a brand refreshing exercise and the birth of our A Team logo, a logo we believe will gain recognition and increase our presence in the market as a statement of intent on our ambitions for the future – to become of the premier financial institution in the country.

#### Digital Transformation – Fresh Thinking Smart Banking

Improving the Bank's information technology architecture and refreshing our digital platforms is one of our strategic imperatives. In the year under review, we commenced our digitisation program with the completion of our core banking system optimisation project to increase system stability and reduce downtime. The Bank will continue to invest in our digital infrastructure to deliver process improvements and enhance customer experience and accelerate set up of self-service stations across all our branches to give our customers increased choice serving points.

We also launched our enhanced basic platforms such as mobile banking and internet banking platforms to address some basic customer requirements and to allow our customers the ability to transact anytime and anywhere. Our goal is to achieve rapid transformation through increased partnerships with Fintechs and technology service providers to accelerate our digital agenda. As we increase our digitisation process, we will in equal measure increase our internal capabilities and cyber resilience and investments in core risk and financial crime systems.

#### Future Ready

Whilst the economic outlook remains uncertain, our key focus is to future proof the business through increased investment diverse growth opportunities in various areas such as payment solutions, digital channels and advanced data analytics whilst offering our customers increased efficiency and better value for money. Our renewed promise and commitment is to offer world-class relevant financial solutions to our customers with integrity and simplicity using innovation as the key differentiator from our peers.

I am extremely grateful to our customers for the trusting us with their business before, during and after the transformation period. I would also like to thank the Board for their wise counsel and direction during this period and the shareholders for their unwavering support in a challenging market. I would like to pay special tribute to all the #A Team members for their hard work and commitment to the business despite the difficulties we faced.

Dr. L.S Mambondiani  
Chief Executive Officer

#### CORPORATE GOVERNANCE REPORT

##### The Board of Directors

The Board's role is to effectively represent and promote the interests of the Group, its stakeholders and shareholders. Having regard to its role, the Board provides ethical leadership directs and supervises the management of the Group's business and affairs including, but not limited to, ensuring that the Group's goals are clearly established and that strategies are in place for achieving them; establishing and approving policies for strengthening the performance of the Group including ensuring that management is proactively seeking to build the business through innovation, initiative, technology and the development of its business capital.

In addition, the Board has the responsibility of monitoring the performance of management, deciding on steps that are necessary to protect the Group's financial position, ensuring that the Group adheres to high standards of ethics and corporate behavior, and that the Group has appropriate risk management and regulatory compliance policies in place. As at 31 December 2019, the Board was comprised of nine Directors, which included an Independent Non-executive Chairman, six Independent Non-executive Directors and two Executive Directors (the Managing Director and Finance Director).

As at 31 December 2019, the Bank held 4 main Board meetings and the record of attendance of each Director is as follows:

Name of Director	Designation	Total meetings held	Total present	% Attendance
A. Mabehena	Independent Non-executive Chairman	4	4	100%
E.C. Gadzikwa (Hon. D.H.L.)	Independent Non-executive	4	4	100%
A.R. Katsande	Independent Non-executive	4	4	100%
D.B. Ndlela (Ph.D)	Independent Non-executive	4	3	75%
C.D.A. Peech	Independent nNon-executive	4	4	100%
J. Phiri	Independent Non-executive	4	3	75%
P.M.V. Wood	Independent Non-executive	4	4	100%
V. Mutenga	Executive	4	4	100%
L.S. Mambondiani (Ph.D)*	Executive	2	2	100%
J. Sibanda**	Executive	2	2	100%
* Appointed 1 July 2019 ** Retired on 31 August 2019				

#### BOARD COMMITTEES

##### Board Audit Committee

The role of the Committee is to provide an independent evaluation of the adequacy and efficiency of the institution's internal control systems, accounting practices, information systems and auditing processes. As at 31 December 2019, the Committee had held 4 meetings and the record of attendance of each Director is as follows:

Name of Director	Designation	Total meetings held	Total present	% Attendance
P.M.V. Wood	Non-executive Chairman	4	4	100%
E.C. Gadzikwa (Hon. D.H.L.)	Non-executive	4	4	100%
J. Phiri	Non-executive	4	3	75%

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Inflation Adjusted		Historical-Unaudited	
31 Dec 2019 \$'000s	788,633	31 Dec 2018 \$'000s	334,345
31 Dec 2019 \$'000s	521,875	31 Dec 2018 \$'000s	53,840



**Digital Income**

#### Board Risk Committee (RISCO)

The Committee's task is to ensure the quality, integrity and reliability of the Bank's risk management framework. The Committee reviews and assesses the integrity of the Bank's risk control systems and ensures that the risk policies and strategies are effectively managed. It assists the Board of Directors in the discharge of its duties relating to corporate accountability and associated risks in terms of management, assurance and reporting.

As at 31 December 2019, the Committee had held 4 meetings and the record of attendance of each Director is as follows:

Name of Director	Designation	Total meetings held	Total present	% Attendance
E.C. Gadzikwa (Hon. D.H.L.)	Non-executive Chairman	4	4	100%
A.R. Katsande	Non-executive	4	4	100%
D. B. Ndlela (Ph.D)	Non-executive	4	3	75%

#### Board Loans Review Committee

The main role of the Committee is to manage the Bank's credit risk arising from its lending and depositing taking activities. In that regard, it does, inter alia, the following: review the quality of the institution's loan portfolio to ensure that it conforms to a sound lending policy as approved by the Board and that there is conformity to material internal policies, applicable laws and regulations; ensure that appropriate provisions are made for potential losses, and review and approve the debt recoveries strategy.

As at 31 December 2019, the Committee had held 4 meetings and the record of attendance of each Director is as follows:

Name of Director	Designation	Total meetings held	Total present	% Attendance
J. Phiri	Non-executive Chairman	4	3	75%
C.D.A. Peech	Non-executive	4	4	100%
D. B. Ndlela (Ph.D)	Non-executive	4	3	75%

#### Board Credit Committee (CREDCO)

The role of the Committee is to manage the process of credit allocation within the Bank. As at 31 December 2019, the Committee had held 14 meetings and the record of attendance of each Director is as follows:

Name of Director	Designation	Total meetings held	Total present	% Attendance
A. Mabhena	Non-executive Chairman	14	14	100%
P.M.V. Wood	Non-executive	14	14	100%
L.S. Mambondiani (Ph.D)*	Executive	8	7	88%
J. Sibanda**	Executive	6	5	83%

\* Appointed 1 July 2019  
\*\* Retired on 31 August 2019

#### Board Remuneration and Nominations Committee (REMCO)

The Committee has the responsibility of setting the remuneration terms and packages for employees as well as issues related to Directors' nominations and appointment. As at 31 December 2019, the Committee had held 4 meetings and the record of attendance of each Director is as follows:

Name Director	Designation	Total meetings held	Total present	% Attendance
A. R. Katsande	Non-executive Chairman	4	4	100%
A. Mabhena	Non-executive	4	4	100%
C.D.A. Peech	Non-executive	4	4	100%

#### Board and Director evaluation process

The institution carries out an annual Board and Director evaluation process as required by the Reserve Bank of Zimbabwe Guideline No. 01-2004/BSD: Corporate Governance. The performance of the Board and individual Directors in the previous year is assessed by the Board.

Areas of concern identified through this process are discussed in the Board meetings with a view to mitigate and rectify identified weaknesses. The Board and Director evaluations for the year 2019 were duly and timeously conducted.

#### BASIS OF PRESENTATION AND RISK MANAGEMENT POLICIES

##### Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property and equipment, investment property and trade investments designated at fair value. The requirements of the Companies and Other Business Entities Act [Chapter 24:31] and Banking Act [Chapter 24:20] have been complied with.

##### Basis of measurement

These financial statements take into account the effects of inflation in accordance with the requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies.

Accordingly, the inflation adjusted financial statements represent the principal financial statements of the Bank. Historical cost financial statements have been presented as supplementary information to the restated financial statements.

IAS 29: Financial Reporting in Hyperinflationary Economies requires that the financial statements prepared in the currency of a hyperinflationary economy be restated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms.

The restatement of the historical cost numbers is based on the conversion factors derived from the consumer price index issued by the Zimbabwe Statistical Office. The indices and conversion factors used to restate the accompanying financial statements as at 31 December 2019 are given below.

Date	Indices	Conversion Factor
31/12/2019	551.82	1.00
31/12/2018	88.81	6.21
31/12/2017	62.50	8.83

##### Auditor's Statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2019, which have been audited by the Independent Auditors, KPMG Chartered Accountants Zimbabwe. The Independent Auditors have issued an adverse opinion on the Financial Statements, because of non-compliance with International Accounting Standard 21: The Effects of Foreign Exchange Rates, International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors, and International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies.

##### Accounting Policies

The Group accounting policies have been consistently applied by African Banking Corporation of Zimbabwe Limited, during the period. The information contained in these abridged financial statements does not contain all the accounting policies required by the International Financial Reporting Standards, which are disclosed in the full annual financial statements from which these financial results are derived. Full details of Group accounting policies are published annually in Atlas Mara Limited's report.

##### Risk Management Framework

The process of financial intermediation is fraught with risks and rewards that need to be balanced through careful and prudent risk management. The Bank uses an Enterprise-wide Risk Management ("ERM") framework for the identification, assessment, measurement and management of risk, designed to meet stakeholders' needs. This ERM framework covers the full spectrum of risks encountered in the business. The Board is ultimately responsible and accountable to shareholders, depositors and other stakeholders for:

- The process of risk management and the system of internal controls;
  - Identifying, evaluating and managing the significant risks faced by the Bank;
  - Ensuring that there is an adequate system of internal controls in place to mitigate the significant risks faced by the Bank to an acceptable level;
  - Ensuring that there is a documented and tested process in place, which allows the Bank to continue business and critical processes in the event of a disastrous incident impacting its activities; and
  - Reviewing the system of internal controls for effectiveness and efficiency.
- The Framework seeks to maximise value for stakeholders over time by aligning risk management with the corporate strategy, assessing the impact of emerging risks from legislation, existing and new technologies, and developing risk tolerances and mitigating strategies.

The framework seeks to strengthen the Bank's ability to identify and assess risks, aggregate the different risks and define the corporate risk appetite, develop solutions for reducing or transferring risk, where appropriate, and exploit risks to gain competitive advantage. The main categories of risks inherent in the business of the Bank are: credit, liquidity, interest rate, market, operational, compliance, legal, reputation, strategic and solvency risk.



#### Historical-Unaudited

31 Dec 2019 \$'000s	20,306	31 Dec 2018 \$'000s	3,732
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#### Credit Risk

Credit risk is the risk of loss due to inability or unwillingness of a particular counterparty to meet their obligations when they fall due. Credit creation is a critical source of revenue for the banking book, but can have a significant impact on the balance sheet if it is not managed properly. The Board has defined and documented a credit policy for the Bank, which forms the basis of credit decisions. This policy includes a framework of limits and delegation of credit approval authority, which are strictly adhered to. No single individual has the power to authorize credit exposures.

The Bank has an internal credit rating system which is undergoing a major review. The rating system is mapped to the ten tier Supervisory Regulatory Scale and used for credit decision making and provisioning under the Modified Standardised Approach. The review of the rating system should lead to enhanced decision making and factor in changes in the macro environment.

#### Liquidity and Interest Rate Risk

Liquidity risk is the risk that the Bank may not meet its commitments due to a shortage of funds that normally arises as a result of maturity mismatches between assets and liabilities. Interest rate risk is the risk of incurring losses as a result of a change in interest rates that arises when assets and liabilities re-price at different times. The Assets and Liabilities Management Committee ("ALCO") is responsible for managing liquidity and interest rate risk in the Bank among other risk categories. ALCO meetings are held on a monthly basis.

ALCO assesses liquidity by currency as well as by time buckets and this process is dependent upon accurate cash flow projections and the monitoring of the Bank's future funding requirements. The Bank also manages liquidity risk by holding liquid reserves in highly tradable instruments and/or money market placements, which are immediately available if required. In order to reduce interest rate risk the majority of the Bank's lending is variable rate lending. This approach was adopted as a result of scarcity of long term deposits in the market, which limits the Bank's ability to build a substantial and stable pool of fixed rate and long-term funding. Interest rate risk is also managed through the analysis of rate sensitive assets and liabilities and applying a limit on the interest rate gap.

#### Market Risk

Market risk is the risk that adverse changes in the market value of a portfolio of financial instruments may result in losses to the Bank. Market risk exposures relating to dealing positions are housed and managed in the Treasury division within a framework of pre-approved portfolio limits.

The Bank's Middle Office Unit which reports to the Risk Department is responsible for daily monitoring of limits and pricing, thereby ensuring that any errors or unauthorized transactions are promptly identified.

#### Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, systems, people and external events. Operational risk includes reputational risk and technology risk. The Bank mitigates these risks through strong corporate governance structures and internal control systems, complemented by the corporate culture and value system. Management throughout the organization is responsible for introducing and maintaining effective operational processes and procedures. An Operational Risk management and reporting tool, called aCcelerate™, is in place to act as a loss data warehouse and assists in ensuring controls are reinforced in high risk areas. Risk and control self-assessments are integrated within departments and form a valuable tool in identifying risks within the business. Key risk indicators amongst other tools are used to view trends and direction of risk.

#### Legal Risk

Legal risk is the risk that a transaction or contract cannot be consummated because of some legal barrier, such as inadequate documentation, a regulatory prohibition on a specific counter-party, and the non-enforceability of contracts such as netting and collateral arrangements in bankruptcy.

The Bank's Legal Department, maintains and approves all existing and new legal documents to ensure compliance with statutory laws and regulatory guidelines.

#### Compliance Risk

Compliance risk is the current and prospective risk of damage to the organisation's business model or objectives, reputation and financial soundness arising from non-adherence with regulatory requirements and expectations of key stakeholders such as clients, staff members and society as a whole. Compliance risk therefore not only exposes the organisation to fines, penalties, civil claims, loss of authorisation to operate and an inability to enforce contracts, but also to reputational damage. The Board has set up systems, processes and an independent Compliance function, to assist in the mitigation and management of compliance risk.

The Bank has classified compliance risk management as an integral part of the organisation's risk management framework. Executive and Senior Management have nurtured a vibrant compliance culture which firmly supports sound business ethics and customer-centric values. BancABC is committed to meeting legislative, regulatory and international best practice requirements.

#### Reputational Risk

Reputational risk is the risk that the Bank could lose its market share due to perception by the market that the Bank is not conducting its business in a sound manner. The Bank has in place active customer complaints monitoring procedures for ensuring continuous improvement in the Bank's service delivery standards.

#### Strategic Risk

Strategic risk is the risk that the Bank's business strategies are ineffective, being poorly executed, or insufficiently resilient to changes in the business environment.

The Bank devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible opportunities, supported by substantial expenditure to generate growth in customer business. If these strategic plans are not delivered as anticipated, the Bank's earnings could grow more slowly or decline. In addition, the Bank's strategy could be impacted by revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

The role of Chairman vests with a Non-executive Director and is separate from the role of Managing Director, which vests with an Executive Director. The Board guides and approves the strategies formulated by the executive team. The Board has delegated oversight on risk management and control functions to the Audit, Loans Review and Risk Management Committees. The Managing Director has the responsibility of implementing the strategies approved by the Board which, in turn, reviews performance and continuing applicability of strategies on a quarterly basis.

#### Solvency Risk

Solvency risk refers to uncertainty that the Bank may have insufficient capital resources to:

- Meet minimum regulatory requirements;
- Absorb any incipient losses that may arise during the course of business;
- Support the targeted credit rating; and
- Support growth and other strategic options.

Regulators assess the Bank's capital position and target levels of capital resources on an ongoing basis. Targets may increase in the future, and rules dictating the measurement of capital may be adversely changed, which would constrain the Bank's planned activities and contribute to adverse impact on the Bank's earnings. During periods of market dislocation, increasing the Bank's capital resources in order to meet targets may prove more difficult or costly.

In order to address these issues, the Bank has an Internal Capital Adequacy Assessment Programme (ICAAP) in line with the provisions of Basel II for banks to develop internal capital plans and assess their level of capitalisation against the risk profile of the Bank. The Bank will continue to strengthen its ICAAP by embedding appropriate Economic Capital methodologies as internal models evolve with enhanced data capabilities.

#### Progress on Basel II Implementation

The Bank has satisfactorily embraced Basel II standards in the day to day running of the business; the Bank's operations are principally guided by its internal capital adequacy assessment process, and in the determination, and subsequent regular reviews of the Bank's risk appetite thresholds. Going forward, the Bank will continue to enhance its systems and adopt leading practices.

#### Risk and Credit Ratings

The Reserve Bank of Zimbabwe conducts examinations of banks and financial institutions it regulates. The Central Bank conducted an on-site inspection in May 2014 and the ratings were as follows:

Examination Ratings	May 2014	September 2008
Overall Risk Ratings	Moderate	Moderate
CAMELS Rating	3	2

#### Overall Risk Ratings - Matrix

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

#### Inflation Adjusted

31 Dec 2019 \$'000s	45%	31 Dec 2018 \$'000s	76%
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#### Historical-Unaudited

31 Dec 2019 \$'000s	33%	31 Dec 2018 \$'000s	76%
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#### CAMELS Rating - Matrix

Component Rating	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to Market Risk
Overall Risk Ratings	3	2	4	3	4	3	3
CAMELS Rating	2	2	2	3	2	3	2

In November 2019 the Bank had a targeted onsite examination which assessed asset quality. The Bank was awarded a CAMELS rating of "2" i.e. "satisfactory" for asset quality from a rating of "4". The institution was assigned a composite CAMELS rating of "3" i.e. "fair" for its 2014 onsite examination. Banking institutions in this category exhibit financial, operational or compliance weaknesses ranging from moderately severe to unsatisfactory. When weaknesses relate to financial condition, such institutions may be vulnerable to the onset of adverse business conditions and could easily deteriorate if concerted action is not effective in correcting the areas of weakness. Institutions which are in significant non-compliance with laws and regulations may also be accorded this rating. Generally, these institutions give cause for supervisory concern and require more than normal supervision to address deficiencies. Overall strength and financial capability, however, are still such as to make failure only a remote possibility.

#### External Credit ratings

Rating agent	Global Credit Rating			
Overall Risk Ratings	May-19	May-18	May-17	May-16
Expiry date	May-20	May-19	May-18	May-17
Long term	BB+	BB+	BB+	BB+

#### ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

	INFLATION ADJUSTED			HISTORICAL-UNAUDITED	
AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ZWL'000s	Notes	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Interest and similar income		208,775	245,102	87,769	39,469
Interest expense and similar charges		(46,802)	(54,487)	(19,197)	(8,777)
Net interest income before impairment (charges)/credit		161,973	190,615	68,572	30,695
Impairment (charges)/credit on financial instruments	1	(3,014)	559	(17,910)	90
Net interest income after impairment (charges)/credit		158,959	191,174	50,662	30,785
Fees and commission income		100,713	68,534	50,723	11,036
Gain on investment securities		1,259	5,682	398	915
Foreign exchange dealing income		181,137	38,309	80,642	6,169
Change in fair value of investment property		76,919	621	76,919	100
Currency gains and losses		256,998	-	256,998	-
Other operating income		12,648	30,025	5,533	4,835
Operating income		788,633	334,345	521,875	53,840
Operating expenditure	2	(351,271)	(254,025)	(170,725)	(40,906)
Operating profit		437,362	80,320	351,150	12,934
Net monetary loss		(117,560)	-	-	-
Profit before income tax		319,802	80,320	351,150	12,934
Income tax expense		(144,133)	(13,327)	(67,744)	(2,146)
Profit for the period		175,669	66,993	283,406	10,788
Other comprehensive income:					
Fair value adjustments on financial assets at fair value through other comprehensive income ("FVOCI"), net of income tax		(2,086)	87	857	14
Revaluation surplus on land and buildings, net of income tax		(8,289)	-	188,886	-
Other comprehensive income for the period, net of tax		(10,375)	87	189,743	14
Total comprehensive income for the period		165,294	67,080	473,149	10,802

INFLATION ADJUSTED				HISTORICAL-UNAUDITED	
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ZWL'000s	Notes	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
ASSETS					
Cash and bank and balances with Central Bank		595,514	480,244	595,514	77,334
Investment securities	3	711,594	1,182,000	711,594	190,338
Loans and advances to customers	4	381,403	1,344,768	381,403	216,549
Amounts due from group companies		3,777	354	3,777	57
Current income tax asset		8,664	14,072	8,664	2,266
Deferred income tax asset		-	42,924	-	6,912
Prepayments and other receivables	5	244,371	54,567	222,693	8,787
Investment property		110,491	20,741	110,491	3,340
Property and equipment	6	478,706	169,378	344,219	27,275
Intangible assets		133,144	37,291	27,363	6,005
Total assets		2,667,664	3,346,339	2,405,718	538,863





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AFRICAN BANKING CORPORATION OF ZIMBABWE LIMITED  
Abridged Audited Consolidated Financial Results For The Year Ended 31 December 2019

INFLATION ADJUSTED			HISTORICAL-UNAUDITED	
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) ZWL'000s	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
LIABILITIES AND EQUITY				
Liabilities				
Deposits from banks	7.1	173,401	507,363	173,401
Deposits from customers	7.2	990,358	1,924,622	990,358
Lines of credit	8	128,029	83,897	128,029
Other payables		235,016	65,571	243,290
Amounts due to group companies		280,261	227,447	280,261
Total liabilities	1,807,065	2,808,900	1,815,339	452,319
Equity				
Share capital	207	207	33	33
Share premium	310,305	310,305	49,956	49,956
Capital awaiting allotment	157,866	-	28,148	-
Other reserves	(2,086)	29,392	196,756	4,733
Retained earnings	394,307	197,535	315,486	31,822
Total shareholder's equity	860,599	537,439	590,379	86,544
Total liabilities and equity	2,667,664	3,346,339	2,405,718	538,863

INFLATION ADJUSTED						
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY ZWL'000s	Share capital	Share premium	Capital awaiting allotment	Other reserves	Retained earnings	Total
Balance at 1 January 2018	207	310,305	-	53,493	106,354	470,359
Net profit for the year	-	-	-	-	66,993	66,993
Movement in reserves	-	-	-	(24,188)	24,188	-
Other comprehensive income	-	-	-	87	-	87
Balance at 31 December 2018	207	310,305	-	29,392	197,535	537,439
Balance at 1 January 2019	207	310,305	-	29,392	197,535	537,439
Changes on initial adoption of IAS 29	-	-	-	(29,392)	29,392	-
Restated balance at 1 January 2019	207	310,305	-	-	226,927	537,439
Net profit for the year	-	-	-	-	175,669	175,669
Realisation of revaluation surplus on property, net of tax	-	-	-	(11,163)	-	(11,163)
Deferred tax on revaluation surplus realised	-	-	-	2,874	-	2,874
Gain on financial assets at FVOCI	-	-	-	(2,086)	-	(2,086)
Capital injection	-	-	157,866	-	-	157,866
Transfer to retained earnings	-	-	-	8,289	(8,289)	-
Balance at 31 December 2019	207	310,305	157,866	(2,086)	394,307	860,599

HISTORICAL-UNAUDITED					
Balance at 1 January 2018	33	49,956	-	8,614	17,139
Net profit for the year	-	-	-	-	10,788
Movement in reserves	-	-	-	(3,895)	3,895
Other comprehensive income	-	-	-	14	-
Balance at 31 December 2018	33	49,956	-	4,733	31,822
Balance at 1 January 2019	33	49,956	-	4,733	31,822
Change in functional currency	-	-	-	2,538	-
Restated balance at 1 January 2019	33	49,956	-	7,271	89,082
Net profit for the year	-	-	-	-	283,406
Realisation of revaluation surplus on property, net of tax	-	-	-	268,163	-
Deferred tax on revaluation surplus realised	-	-	-	(79,277)	-
Gain on financial assets at FVOCI	-	-	-	857	-
Capital injected	-	-	28,148	-	-
Movement in reserves	-	-	-	(258)	258
Balance at 31 Dec 2019	33	49,956	28,148	196,756	590,379

INFLATION ADJUSTED			HISTORICAL-UNAUDITED	
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS ZWL'000s	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	319,802	80,320	351,150	12,934
Non cash flow items	(175,202)	20,673	(290,625)	3,329
Tax paid	(24,023)	(12,786)	(24,023)	(2,059)
Total	120,577	88,207	36,502	14,204
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash outflow from investing activities	(57,820)	(23,194)	(57,820)	(3,735)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash inflow from financing activities	130,150	28,485	110,908	4,587
Effect of exchange rates on cash balances held	(91,747)	-	-	-
Net increase/(decrease) in cash and cash equivalents	97,518	(142,718)	500,428	(22,982)
Cash and cash equivalents at the beginning of the year	480,244	622,962	77,334	100,316
Exchange adjustment on opening balance	17,752	-	17,752	-
Cash and cash equivalents as at the end of the period	595,514	480,244	595,514	77,334
Represented by : Cash and bank and balances with Central Bank	595,514	480,244	595,514	77,334

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED			HISTORICAL-UNAUDITED	
ZWL'000s	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
1. Expected credit losses				
As at 1 January	21,903	106,533	21,903	17,155
IFRS 9 day 1 impact	-	86,179	-	13,878
Net new impairments created	21,181	11,001	21,181	1,771
Write-offs	(962)	(67,695)	(962)	(10,901)
As at 31 December	42,122	136,018	42,122	21,903
Income statement movement comprised of:				
Net change in expected credit losses	(27,642)	(13,296)	(27,642)	(2,147)
Bad debts recovered	24,628	13,855	9,732	2,237
	(3,014)	559	(17,910)	90
2. Operating expenditure				
Personnel expenses	143,073	101,875	67,677	16,405
Directors fees	90,044	2,155	1,724	347
General and administrative expenses	80,013	122,460	85,270	19,720
Depreciation and amortisation expenses	38,141	27,535	16,054	4,434
	351,271	254,025	170,725	40,906
3. Investment securities				
Financial assets at amortised cost	645,856	1,185,371	645,856	190,881
Financial assets at amortised cost - loans and receivables	68,955	-	68,955	-
Financial assets at fair value through P & L	102	-	102	-
Financial assets at fair value through OCI	2,437	882	2,437	142
Expected credit losses	(5,756)	(4,253)	(5,756)	(685)
Total	711,594	1,182,000	711,594	190,338
Maturity analysis for investment securities				
Due between 1 month and 3 months	647,180	45,886	647,180	7,389
Due between 3 months and 12 months	7,005	641,406	7,005	103,286
Greater than 1 year	57,409	494,708	57,409	79,663
	711,594	1,182,000	711,594	190,338
4a. Loans and advances to customers Credit risk concentration				
Agriculture	176,688	215,375	176,688	34,682
Mining and Energy	17,630	106,924	17,630	17,218
Wholesale Service and Retail	37,290	179,699	37,290	28,937
Manufacturing	40,197	618,119	40,197	99,536
Individuals	109,598	224,651	109,598	36,176
Total	381,403	1,344,768	381,403	216,549
4b. Maturity analysis for loans and advances to customers				
Due between 1 month and 3 months	156,540	857,879	156,540	138,145
Due between 3 months and 12 months	98,428	172,766	98,428	27,821
Greater than 1 year	126,435	314,123	126,435	50,583
Total	381,403	1,344,768	381,403	216,549
5. Prepayments and other receivables				
Prepaid expenses	46,455	34,614	25,013	5,574
Accounts receivable	197,916	19,953	197,680	3,213
Total	244,371	54,567	222,693	8,787

INFLATION ADJUSTED				
6a. PROPERTY AND EQUIPMENT	Land and buildings	Motor vehicles	Furniture fittings and equipment	Total
Year ended 31 December 2019 Cost or Valuation at:				
At 1 January 2019	32,587	1,554	18,127	52,268
Additions	6,633	1,867	19,603	28,103
Revaluation of property and equipment	(11,163)	-	-	(11,163)
Change in functional currency	15,016	-	-	15,016
IAS 29 adjustment	498,166	22,578	260,943	781,687
Right of use asset	11,577	-	-	11,577
31 December 2019	552,816	25,999	298,673	877,488
Accumulated depreciation				
At 1 January 2019	(10,469)	(1,421)	(12,631)	(24,521)
Charge for the year	(7,862)	2,565	(14,862)	(20,159)
Revaluation of property	500	-	-	500
IAS 29 adjustment	(152,570)	(20,630)	(181,402)	(354,602)
31 December 2019	(170,401)	(19,486)	(208,895)	(398,782)
At 31 December 2019				
Cost or valuation	552,816	25,999	298,673	877,488
Accumulated depreciation	(170,402)	(19,486)	(208,894)	(398,782)
Net book value at 31 December 2019	382,414	6,513	89,779	478,706
At 31 December 2018				
Cost or valuation	199,459	9,650	111,687	320,796
Accumulated depreciation	(65,000)	(8,818)	(77,600)	(151,418)
31 December 2018	134,459	832	34,087	169,378

HISTORICAL-UNAUDITED				
6b. PROPERTY AND EQUIPMENT	Land and buildings	Motor vehicles	Furniture fittings and equipment	Total
Year ended 31 December 2019 Cost or Valuation at:				
1 January 2019	32,119	1,554	17,985	51,658
Additions	2,598	1,291	8,926	12,815
Revaluation of property and equipment	306,209	1	(4)	306,206
Change in functional currency	55,673	2,331	26,976	84,980
Right of use asset	11,577	-	-	11,577
31 December 2019	408,176	5,177	53,883	467,236
Accumulated depreciation				
At 1 January 2019	(10,467)	(1,420)	(12,496)	(24,383)
Charge for the year	(6,034)	2,660	(5,937)	(9,311)
Revaluation	(52,751)	2	-	(52,749)
Change in functional currency	(15,701)	(2,130)	(18,743)	(36,574)
31 December 2019	(84,953)	(888)	(37,176)	(123,017)
At 31 December 2019				
Cost or valuation	408,176	5,177	53,883	467,236
Accumulated depreciation	(84,953)	(888)	(37,176)	(123,017)
Net book value at 31 December 2019	323,223	4,289	16,707	344,219
At 31 December 2018				
Cost or valuation	32,119	1,554	17,985	51,658
Accumulated depreciation	(10,467)	(1,420)	(12,496)	(24,383)
Net Book Value	21,652	134	5,489	27,275

INFLATION ADJUSTED			HISTORICAL-UNAUDITED	
7. DEPOSITS FROM BANKS AND CUSTOMERS ZWL'000s	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
7.1 Deposits from banks				
Deposits from other banks	173,401	507,363	173,401	81,701
Maturity analysis of deposits from banks				
Up to 1 month	173,401	507,363	173,401	81,701
7.2 Deposits from customers Sectorial distribution of customer deposits				
Agriculture	39,389	180,904	39,389	29,131
Individuals and households	161,540	62,516	161,540	10,067
Financial institutions	88,713	247,518	88,713	39,858
Wholesale, service and retail	619,853	1,260,487	619,853	202,977
Mining and energy	49,215	65,112	49,215	10,485
Manufacturing	31,648	108,085	31,648	17,405
TOTAL	990,358	1,924,622	990,358	309,923
Maturity profile				
Due within 1 month	980,486	1,634,087	980,486	263,138
Due between 1 and 3 months	9,748	269,396	9,748	43,381
Due between 3 and 12 months	124	21,139	124	3,404
	990,358	1,924,622	990,358	309,923

8. LINES OF CREDIT				
Bank Borrowings	128,029	83,897	128,029	13,510
Fair value of collateral	128,029	83,897	128,029	13,510
Included in the lines of credit mentioned above, ZWL25.4m owed to the Company for Habitat and Housing in Africa (Shelter Afrique) is secured by an on-demand guarantee from ABC Holdings Limited.				

INFLATION ADJUSTED						
9a. 1 Interest rate repricing risk ZWL'000s	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Non-interest bearing	Total
Assets	620,339	673,774	109,210	183,844	1,080,497	2,667,664
Liabilities	(1,153,912)	(13,417)	(393,393)	(11,352)	(234,991)	(1,807,065)
Equity	-	-	-	-	(860,599)	(860,599)
Repricing Gap	(533,573)	660,357	(284,183)	172,492	(15,093)	-
Cumulative repricing gap as at 31 December 2019	(533,573)	126,784	(157,399)	15,093	-	-
Cumulative repricing gap as at 31 December 2018	(847,578)	(1,029,078)	(536,165)	(263,155)	-	-

HISTORICAL-UNAUDITED						
9a. 2 Interest rate repricing risk ZWL'000s	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Non-interest bearing	Total
Assets	620,312	673,774	109,210	183,844	818,578	2,405,718
Liabilities	(1,153,887)	(13,417)	(393,393)	(11,352)	(243,290)	(1,815,339)
Equity	-	-	-	-	(590,379)	(590,379)
Repricing Gap	(533,575)	660,357	(284,183)	172,492	(15,091)	-
Cumulative repricing gap as at 31 December 2019	(533,575)	126,782	(157,401)	15,091	-	-
Cumulative repricing gap as at 31 December 2018	(136,486)	(165,713)	(86,339)	(42,376)	-	-



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NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED					
9b.1 Liquidity risk ZWL'000s	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total
The Bank's summarised maturity analysis (on a discounted cash flow basis) as at 31 December 2019 was as follows:					
Assets	725,486	682,438	109,210	1,150,530	2,667,664
Liabilities	(1,153,913)	(142,127)	(394,921)	(116,104)	(1,807,065)
Equity	-	-	-	(860,599)	(860,599)
Liquidity Gap	(428,427)	540,311	(285,711)	173,827	-
Cumulative repricing gap as at 31 December 2019	(428,427)	111,884	(173,827)	-	-
Cumulative repricing gap as at 31 December 2018	(792,203)	(969,282)	(430,924)	866,500	-

HISTORICAL-UNAUDITED					
9b.2 Liquidity risk ZWL'000s	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total
The Bank's summarised maturity analysis (on a discounted cash flow basis) as at 31 December 2019 was as:					
Assets	923,140	682,784	133,822	665,972	2,405,718
Liabilities	(1,257,315)	(40,219)	(394,921)	(122,884)	(1,815,339)
Equity	-	-	-	(590,379)	(590,379)
Liquidity Gap	(334,175)	642,565	(261,099)	(47,291)	-
Cumulative repricing gap as at 31 December 2019	(334,175)	308,390	47,291	-	-
Cumulative repricing gap as at 31 December 2018	(127,569)	(156,084)	(69,392)	139,533	-

10. Operating Segments	
The Group has the following strategic divisions, which are reportable segments. These management and internal reporting structure.	
Reportable Segments	Operations
Wholesale Banking	Asset finance, trading and corporate finance activities loans, deposits and other transactions and balances with corporate customers. Funding and centralised risk management activities.
Retail Banking	Loans, deposits and other transactions and balances with retail customers
Consumer Lending	The Retail unit beginning from 2014, this segment comprises ABC Easy Loans (Private) Limited, a wholly owned subsidiary of the African Banking Corporation of Zimbabwe Limited. The subsidiary is a registered microfinance institution that largely extends fast and easy loans to individuals. ABC Easy Loans operates its flagship branch at Leopold Takawira branch in Harare and has offices in eight other BancABC branches.

INFLATION ADJUSTED						
Wholesale Banking		Retail Banking		Consumer Lending		
10a 1. Operating segments	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Net interest income	98,663	121,101	38,892	52,561	24,418	16,947
Net fee and commission income	542,599	87,095	69,215	47,923	17,860	6,160
Inter-segment revenue / (expenses)	1,744	(814)	(1,744)	814	-	-
Total segment operating income	643,006	207,382	106,363	101,298	42,278	23,107
Loan Impairment credit/(losses)	(2,337)	14,469	2,158	(7,303)	(2,835)	(6,607)
Reportable segment profit/(loss) before tax	340,411	108,843	(45,065)	(29,609)	30,985	(913)
Segment assets	959,341	2,173,270	63,185	427,397	112,593	62,733
Segment liabilities	1,196,212	2,235,966	95,576	279,928	-	-

INFLATION ADJUSTED						
Net interest income		Non interest income		Profit before tax		
10a 2. Reconciliation to IFRS measures	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Total for reportable segments	161,973	190,610	629,674	141,178	326,331	78,321
Head office allocation	-	6	-	1,993	-	1,999
Total for IFRS measures	161,973	190,616	629,674	143,171	326,331	80,320

HISTORICAL-UNAUDITED						
Wholesale Banking		Retail Banking		Consumer Lending		
10b 1. Operating segments	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Net interest income	40,860	19,501	17,575	8,464	10,137	2,729
Net fee and commission income	427,548	14,025	42,025	7,717	1,640	992
Inter-segment revenue / (expenses)	1,744	(131)	(1,744)	131	-	-
Total segment operating income	470,152	33,395	57,856	16,312	11,777	3,721
Loan Impairment credit/(losses)	(13,601)	2,330	(1,474)	(1,176)	(2,835)	(1,064)
Reportable segment profit/(loss) before tax	351,705	17,527	(4,160)	(4,768)	3,605	(147)
Segment assets	959,341	349,963	63,185	68,824	112,593	10,102
Segment liabilities	1,196,212	360,059	95,576	45,077	-	-

INFLATION ADJUSTED						
Net interest income		Non interest income		Profit before tax		
10b 2. Reconciliation to IFRS measures	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Total for reportable segments	68,572	30,694	471,213	22,734	351,150	12,612
Head office allocation	-	1	-	321	-	322
Total for IFRS measures	68,572	30,695	471,213	23,055	351,150	12,934

	INFLATION ADJUSTED		HISTORICAL-UNAUDITED	
13. Capital adequacy	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Regulatory minimum capital adequacy ratios for the Bank are summarised below:				
Tier 1				
Ordinary paid up share capital	207	207	33	33
Share premium	310,305	310,305	49,956	49,956
Capital awaiting allotment	157,866	-	28,148	-
Retained earnings	394,307	197,535	315,486	37,025
Less: Exposure to insiders and connected parties	(15)	(1,813)	(15)	(292)
Core Capital	862,670	506,234	393,608	86,722
Total qualifying Tier 1 capital	862,670	506,234	393,608	86,722
Tier 2				
Revaluation reserve	-	28,926	195,822	4,661
Other reserves, qualifying	(2,086)	466	935	75
General provisions, qualifying	5,403	13,650	5,403	2,198
Total qualifying Tier 2 capital	3,317	43,042	202,160	6,934
Total Net Capital	865,987	549,276	595,768	93,656
Total risk-weighted assets (RWAs)	2,326,425	1,489,003	1,291,400	239,775
Tier 1 ratio	37.1%	34.0%	30.5%	36.2%
Tier 2 ratio	0.1%	2.9%	15.6%	2.9%
Capital Adequacy Ratio	37.2%	36.9%	46.1%	39.1%

	INFLATION ADJUSTED		HISTORICAL-UNAUDITED	
14. Contingent Liabilities	31-Dec 2019	31-Dec 2018	31-Dec 2019	31-Dec 2018
Commitments to lend	52,254	83,633	52,254	13,467
Guarantees	239,514	126,814	239,514	20,421
Expected Credit Losses	(177)	(975)	(177)	(157)
	<u>291,591</u>	<u>209,472</u>	<u>291,591</u>	<u>33,731</u>

15. Events Subsequent to Financial Year End

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic due to its rapid spread across the globe. Many governments including the Zimbabwean government, are taking stringent measures to help contain the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders. This has also led to a relatively weaker economic outlook and uncertainties across the globe.

As at the date of this report, there is no sufficient data to quantify the effects of the pandemic however, based on preliminary assessment the directors and management believe the effect of the pandemic does not have a material impact on the financial statements as at 31 December 2019 based on the current information and does not amount to a material uncertainty over the Bank's ability to continue as a going concern.

Directors:	Directors: A.R. Katsande (Chairman), L.S. Mambondiani (Ph.D) (Managing Director)*, V. Mutenga (Finance Director)*, E.C. Gadzikwa (Hon D.H.L), B. Nkomo, C.D.A. Peech. *Executive
BancABC part of Atlas Mara is a brand name for African Banking Corporation of Zimbabwe Limited (A Registered Commercial Bank)	

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