STEWARD | BANK

Everyday Banking For Everyday People

Member of the Deposit Protection Corporation   A Registered Commercial Bank

AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 28 February 2019

Cassava Smartech

www.stewardbank.co.zw

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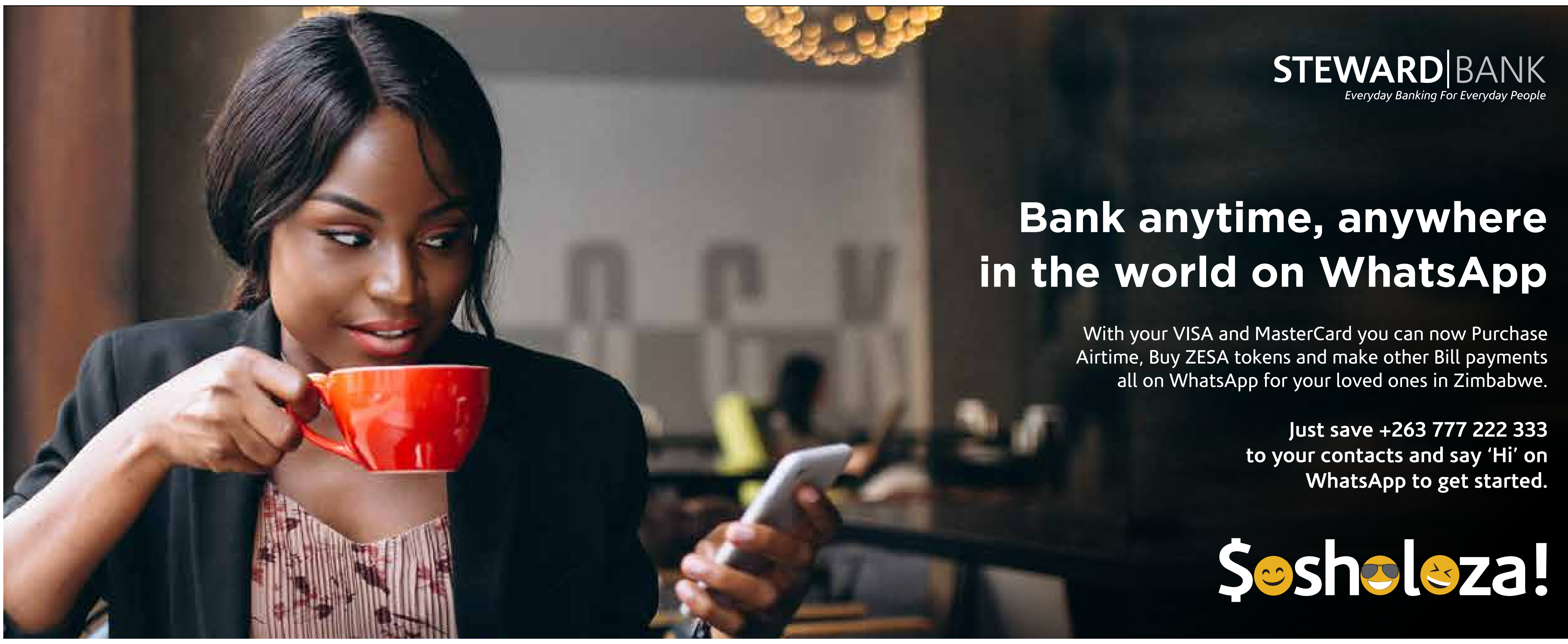
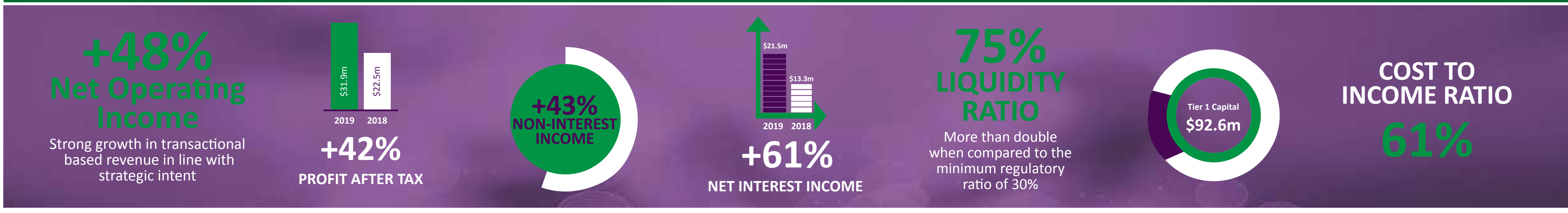


HIGHLIGHTS



CHAIRMAN'S REPORT

I am pleased to report another set of remarkable financial results for the financial year ended 28 February 2019.

Digital Banking Platforms – RIP Traditional Banking

Globally digital platforms have aggregated users to provide accessible and affordable services. Leveraging on the Econet Group's digital ecosystem, Steward Bank has done the same, innovating multiple platforms that serve the needs of society.

Our *236# digital account opening platform on USSD has demonstrated the immense power of digital platforms that are tailored to suit the needs of the environment. Through the *236# platform, the Bank customer base more than doubled to 1.4 million customers. The instant account opening platform has accelerated our vision to financially include every Zimbabwean as we are determined to Bank the Nation regardless of an individual's location and background.

*236# was immediately followed up by the launch of KaShagi nano loans. Nano loans allow access to credit for a variety of needs including financing the daily working capital requirements of small businesses or smoothening the irregular flow of income of vulnerable individuals. Mobile nano loans have been proven to reduce poverty, generate employment and boost economic activity in Africa. KaShagi nano loans have the potential to do the same in Zimbabwe.

Another mobile lending product, "KaShagi for Business" was announced in partnership with the World Bank and Lenddo. "KaShagi for Business" is a novel approach to credit scoring, employing psychometric tests to score small and medium scale business owners and provide credit up to $5,000. KaShagi for Business' alternative method of credit scoring and lending is required in the largely informal market of Zimbabwe.

Digital platforms are an efficient method of delivering inclusive services and overcoming existing barriers to access. The Bank will continue to pursue a digital strategy as the benefits of going digital provide an unmatched value proposition for our customers.

Financial Performance

In the year under review, the Bank's profit before tax grew by 10% to $36.2m, from $32.8m reported in the comparative period last year.

The aggressive customer acquisition strategy led to an increase in Non-Interest Income, The financial performance is reflective of Steward Bank's position as Zimbabwe's transactional bank of choice. In 2014, when our five-year strategy kicked off, the aim was to financially include 1 million people. Five years on, we have attained that strategic target, and today we bank more than 1.4 million customers.

Our total assets grew by 103% to $935m up from $471m reported in February 2018. This growth was largely driven by an increase in demand deposits which grew by 118% to close at $747m from $342m disclosed in the comparative period last year. The Bank tier 1 Capital was $92.6m which is above the regulatory minimum of $25m.

Accounts and the exchange rate was floated. The interbank rate has devalued by over 30% from the introductory peg of $1:2.5. This devaluation has resulted in rising foreign obligations upon remeasurement in RTGS$ and reported foreign exchange losses.

Awards and Recognition

During the year under review, Steward Bank and its management were recognised with the following awards:

Award	Awarding Body
Rewarding Excellence in banking : Best deposit mobilizer	Zimbabwe Independent
Banking Sector Super brand	MAZ Super Brands
Business to Business category Super Brand	MAZ Super Brands

We are grateful for the support and recognition we have received for our contribution to the banking and financial services sector in Zimbabwe. These awards demonstrate our commitment to providing unique products and services that address the pain points for our customers and I would like to thank each of them for their loyalty and support they have shown to our brand.

Shaping the Future

In shaping the future, our concentration is on where the need is greatest. The Shareholder's vision to uplift rural communities and redefine rural Africa is pertinent given that an estimated 65-70% of Africa's population live in rural areas. In Zimbabwe, approximately 68% of the country's population reside in the rural areas and the majority are women. In support of the redefinition of rural Africa $100m has been allocated to a Re-Imagine Rural Fund that will focus on financing and training entrepreneurs in the rural areas in order to increase productivity and to uplift standards of living.

Steward Bank is inspired by the Shareholder's vision for improved living standards and raised incomes. The Bank is supporting and funding rural finance projects, affordable housing projects, sustainable energy initiatives and healthcare recapitalisation plans. Delivering the vision will require innovative methods of financing as well as strategic partnerships.

In the existing Retail and SME Banking space, mobile devices have been critical in reaching the mass market. Relatively new technologies such as Big Data, Robotic Process Automation and Blockchain are improving and enhancing the power of mobile services. Mobile technology also presents a great opportunity to create new marketplaces that provide access and opportunity in the age of the digital economy.

With the digital shift, there will be a heavy reliance on IT networks and infrastructure. Connectivity and system uptime will be key to all online forms of banking and commerce. The transition is also raising new risks, cyber threats and data breaches will need to be mitigated.

In overseeing the new strategy, the Board remains committed to investing in human capital and digital systems and infrastructure that will shape the future. The Executive are a passionate, hard-working and talented team and have the support and confidence of the Board in executing the Shareholder vision to drive Steward Bank forward.

Thank You, One Million Times

Over one million people have chosen to bank with Steward Bank, the level of trust placed in us is represented by the deposits we have mobilised. We thank all our customers for choosing Steward Bank as a custodian of choice.

The focus over the last year on customer-centricity through the HEPII campaign, an acronym of our values of Hunhu (Ubuntu) Excellence, Professionalism, Integrity and Innovation has yielded results as our customers are more satisfied. A customer-centric approach will remain an area of strategic focus.

The staff and management of Steward Bank deserve recognition for delivering on the five-year strategy and for the tireless hours of work towards the greater good. The closely-knit group of Stewards will be the foot soldiers as the bank seeks to deliver on its dynamic strategy in the next financial year. An unabated sense of optimism, relentless spirit of innovation and commitment to the greater cause will see us soar to greater heights.

On behalf of the Board

Bernard T.R. Chidzero
Board Chairman

30 June 2019

Strategic Sustainable Business Pillars

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

Our Performance

Total income grew by 42% to $107.5m, with the main contributor to the growth being non-interest income, which grew by 43%. Profit before tax grew by 10% to $36.2m in the year under review. The growth is testament to the resilience of the transactional banking model during the uncertain times.

Digital channels have driven transactional income. Steward Bank is the largest card issuer in Zimbabwe, with plus 400 000 cards issued. Over 30 000 POS devices have been deployed including 22 000 Kwenga mobile POS machines. On Square, our mobile platform, we have registered impressive numbers with over 490 000 people active on the mobile platform.

*236#, an account opening platform launched in November 2018, outperformed expectations. Over 730,000 iSave accounts were opened in the four months leading to the financial year end. iSave is our flagship account and underpins the performance of our digital channels.

Ensuring activity of the newly acquired customers will drive organic growth. The efficiency of banking services between the Bank and EcoCash has continued to attract customers whilst value added features on the account have cemented iSave's position as the dominant lowcost account in Zimbabwe. The iSave account is the only low-cost account in Zimbabwe with instant access to mobile credit.

Other Key Performance Indicators

Over the past year, operating expenses rose in an inflationary environment. The Cost to Income ratio increased to 61% from 49% in 2018. The Staff Costs to Income Ratio of 17% is comparatively worse than the prior year ratio of 13%. Protection of staff earnings and recruitment to spearhead the below outlined key focus areas were the major cost drivers.

Key Ratio	Financial year ended 28 Feb 2019	Financial year ended 28 Feb 2018
Return on Equity	28%	26%
Costs to Income	61%	49%
Staff Costs to Income	17%	13%
Net Interest Margin	5%	7%
Prudential Liquidity	75%	70%
Loans to Deposit Ratio	7%	11%

Return on Equity increased to 28% from 26% in the prior reporting period. Shareholder returns were boosted by high revenue growth.

The Net Interest Margin retracted marginally as the higher yielding mortgage disbursements did not materialise in a market that was largely stagnant. Greater weight was thus placed on lower yielding interbank placements that had an average yield of 4%.

The Prudential Liquidity Ratio of 75% was well above the Reserve Bank of Zimbabwe's minimum requirement of 30%. The Loan to Deposit Ratio declined by 36% due to the growth in customer deposits outstripping growth in loans and advances.

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

Key Focus Areas

- **Sustainable Finance**

  Funds have been allocated for Rural Finance, Healthcare, Energy and Housing. The drive for financial inclusion and sustainable development is a key part of the Bank's strategy going forward. Over $300m dollars is to be invested in these sectors in the coming financial year.

  The $100m Rural Finance Fund aims to empower entrepreneurs who add value to production processes, diversify opportunities and innovate. From experience, financing of rural projects has yielded adequate returns.

  The investment in entrepreneurial people will be supported by development of sustainable infrastructure that results in improved living standards.

  This holistic approach to banking is the Shareholder's vision and is unique to Steward Bank. We believe in doing well, by doing good.

- **Digitisation**

  Crowdfunding: Kanzatu-nzatu

  "Kanzatu-nzatu" was the first digital platform to be launched in 2018. The crowdfunding platform allows Zimbabweans to raise funds through setting up an account and sharing a link to contacts to deposit funds. Besides mobilising resources for the National Cholera campaign, Zimbabweans have joined hands to raise funds for friends and family for weddings, medical procedures, university fees and church events.

  USSD Digital Account Opening: *236#

  Following the launch of Kanzatu-Nzatu, *236# was launched. The *236# platform enables digital iSave account opening and Dura Lite foreign currency account opening. After dialing the USSD code, a customer's e-KYC is retrieved from Econet and used as the identifier to open the low-KYC account.

- **Nano Loans: KaShagi**

  KaShagi nano loans were also launched on the *236# platform. The loans model Econet Group data and leverage on Big Data and Machine Learning to assign credit scores and determine eligibility for the mobile loan.

  Over RTGS$6m has been dispersed on *236#, with an average value of $30 disbursed on the platform.

- **Customer-Centric**

  Customer-centric service remains a key focus area, even more so because of the rapid growth in customer base and rate of product deployment at the Bank. The Bank's HEPII values (Hunhu/Ubuntu, Excellence, Professionalism, Innovation, Integrity) reinforce the need to ingrain a service-driven culture.

  Customer feedback is welcomed as we seek to provide a world class experience. Stewards that demonstrate a customer-centric attitude are being rewarded for doing so as this advances the Mission of the organization.

Rewriting the Script

Looking back, five years ago, Steward Bank focused on and sought to disrupt the traditional banking model in Zimbabwe. We have executed on this by meeting the needs and wants of the mass market.

Looking ahead, Steward Bank is rewriting the script of what it means to bank in Zimbabwe. Digital transformation will be central to delivering mass market value.

For our other business segments a blend of innovative financing mechanisms and convenient platforms are being developed as we position ourselves to provide valuable services to key stakeholders in the economy.

Head Bowed

The Steward Bank team has been extraordinary in attitude and approach over the past year. Thank you to the team for being available for work and retaining high levels of energy and drive in pursuit of our common goals and objectives. I am heartened by your never say die mentality and good humoured nature in light of the most difficult situations. The culture of innovation that has permeated our organisation is our competitive advantage and the reason why we are the dominant market player.

Also, a thank you to our Board Chairman, the Board of Directors and the Executive Team for the support and commitment over the past year. Lastly, I express sincere gratitude to all of our stakeholders, in particular, our Shareholder who challenged us to change the face of banking in Zimbabwe. We shall continuously aim to redefine banking.

Krison V. Chirairo
Acting Chief Executive Officer

30 June 2019

CORPORATE GOVERNANCE STATEMENT

Steward Bank is committed to ensuring that it has effective corporate governance structures in place as this is critical in safeguarding stakeholders' interests and improving the performance of the Bank. This is in line with the Zimbabwe Corporate Governance Code, the Reserve Bank of Zimbabwe Corporate Governance Guidelines No. 01 – 2004/BSD and the banking industry regulatory framework. The Board leads the organization in ensuring the existence of sound corporate governance principles and values at all material times.

The Board of Directors

The role of the Board includes, inter alia, the approval and adoption of the strategic and annual business plans, setting up of objectives, review of key risk and performance areas, review of management's performance against set criteria and objectives and determining the overall policies and processes to ensure the integrity of the institution's risk and internal control management.

The Board regularly reviews its structures and policies to ensure continued adherence to the governing instruments and international best practice.

The Board of Directors is committed to upholding the highest standards of corporate governance by ensuring that business is conducted in a transparent, responsible and accountable manner as enshrined in the international and local corporate governance frameworks.

Directors have unrestricted access to Management and Directors are free to take independent professional advice, at the Bank's expense, in furtherance of their duties.

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests. Directors are required to disclose any conflicts and abstain from participating in any discussion or voting on matter in which they have a material interest.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board and Director Evaluation Process

The institution carries out an annual Board and Director Evaluation process in line with the Reserve Bank of Zimbabwe's Board and Director Evaluation Framework for Financial Institutions. This entails the Board members critically evaluating and reviewing each other as members and collectively as a Board. The key factors considered are the functions of the board, strategy, board structure and effectiveness. The results of the prior year are used to identify any gaps and these are addressed through specific action plans.

The Board and Director evaluations for the year ended 28 February 2019 were duly and timeously conducted.

Board Composition

As at 28 February 2019, the Bank's Board comprised of eight (8) non-Executive directors and two (2) Executive directors. The majority of the Board members are independent non-Executive Directors. The Board considers that its membership should reflect an appropriate balance between executives possessing extensive direct experience and expertise in the core business activities of the Bank and non-executive members who bring to the Board a broad range of general commercial expertise and experience. The Board has an appropriate balance of skills, experience and expertise to enable it to discharge its responsibilities.

During the year, the Bank continued to expand its strategy with strong focus on digital technology. The Chief Technology Officer provides guidance and assists the Board on both strategy and implementation in this emerging area

Mrs. Tracy Mpofu resigned as a non-Executive Director of the Bank effective 11th of December 2018 after serving for over six (6) years. The Board acknowledges her immense contribution and extends its appreciation for the service rendered.

Dr. Lance Mambondiani resigned as Chief Executive Officer and Executive Director of the Bank effective 31 May 2019 after serving at the helm for 4 years. The Board acknowledges his service in leading the digital transformation of Steward Bank.

Board Committees

The Board has established and delegated specific roles and responsibilities to standing Committees, to assist it in discharging its mandate. Members of the Executive Committee and other management attend meetings of the various committees by invitation. Each Committee acts within written terms of reference approved by the Board and reviewed at least annually. All Board Committees are chaired by Independent non-Executive Chairpersons.

The Chair of each Committee (or a person nominated by the Chair of the Committee for that purpose), reports to the Board at the Board's next meeting on any matters relevant to the Committee's duties and responsibilities.

To assist the Board in the discharge of its responsibilities, the following standing Committees have been established namely:

i. Board Audit Committee;
ii. Board Risk, Compliance and Capital Management Committee;
iii. Board Asset and Liability Committee;
iv. Board Credit Committee;
v. Board Human Resources and Nominations Committee; and
vi. Board IT Committee.

Audit Committee

The Audit Committee consists of three independent non-executive directors of the Bank. The Committee's primary functions are to assist the Board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and audit processes applied within the Bank. As appropriate, the Committee makes recommendations to the Board regarding the financial administration of the Bank. External Auditors are invited to attend all meetings. The Audit Committee met four times in the year under review.

Risk, Compliance and Capital Management Committee

This Committee, which comprises 3 non-executive directors, sets policy guidelines for monitoring risks that are inherent within the Bank and reviews all risk reports generated by the Risk Department. The Committee also sets policy guidelines for ensuring and monitoring compliance with all regulatory laws and directives and internal policies and procedures. The Risk, Compliance and Capital Management Committee met four times during the year.

Board Asset and Liabilities Committee

This Committee comprises 3 non-executive directors and is responsible for formulating policies and procedures relating to control of cash flow, control of short-term borrowing capacity, management of liquid assets portfolio, monitoring and managing structural exposures to changes in foreign exchange rates. The Committee also reviews the Bank's balance sheet and recommends the optimal asset and liability mix for the Bank. The Committee met four times during the year.

Board Credit Committee

This Committee comprises 3 non-executive directors and is mainly responsible for overseeing the Bank's operations related to credit, market and liquidity risk. The Committee also approves all lending in line with set thresholds and ensures that approved policies are adequate and that lending activities are conducted in accordance with established procedures. The Board Credit Committee met four times during the year.

Board IT Committee

This Committee comprises 3 non-executive directors and meets quarterly and formulates policies and strategic issues relating to information and communication technology. It monitors and reviews implementation of the information technology projects, funding allocation and performance reporting. The Committee makes recommendations to the Board with respect to the overall scope of the digital strategy. It provides the necessary governance over the direction and ongoing progress of the digital strategy to ensure continued growth, consistent with the Bank's vision and values.

Remuneration & Nominations Committee

This Committee, which comprises 3 non-executive directors meets quarterly and reviews matters relating to the formulation and approval of strategies and policies relating to conditions of service and remuneration of the Bank's staff. The Committee also serves as a Nominations Committee. The Committee met four times during the year.

Board Capacity Development

The Bank has in place a Board Training and Development Plan designed to enable the Directors to gain an appreciation of Steward Bank's strategic, financial, operational and risk management structures. During the year, Board members attended IFRS 9 Training as well as Risk and IT Governance Training.

Compliance

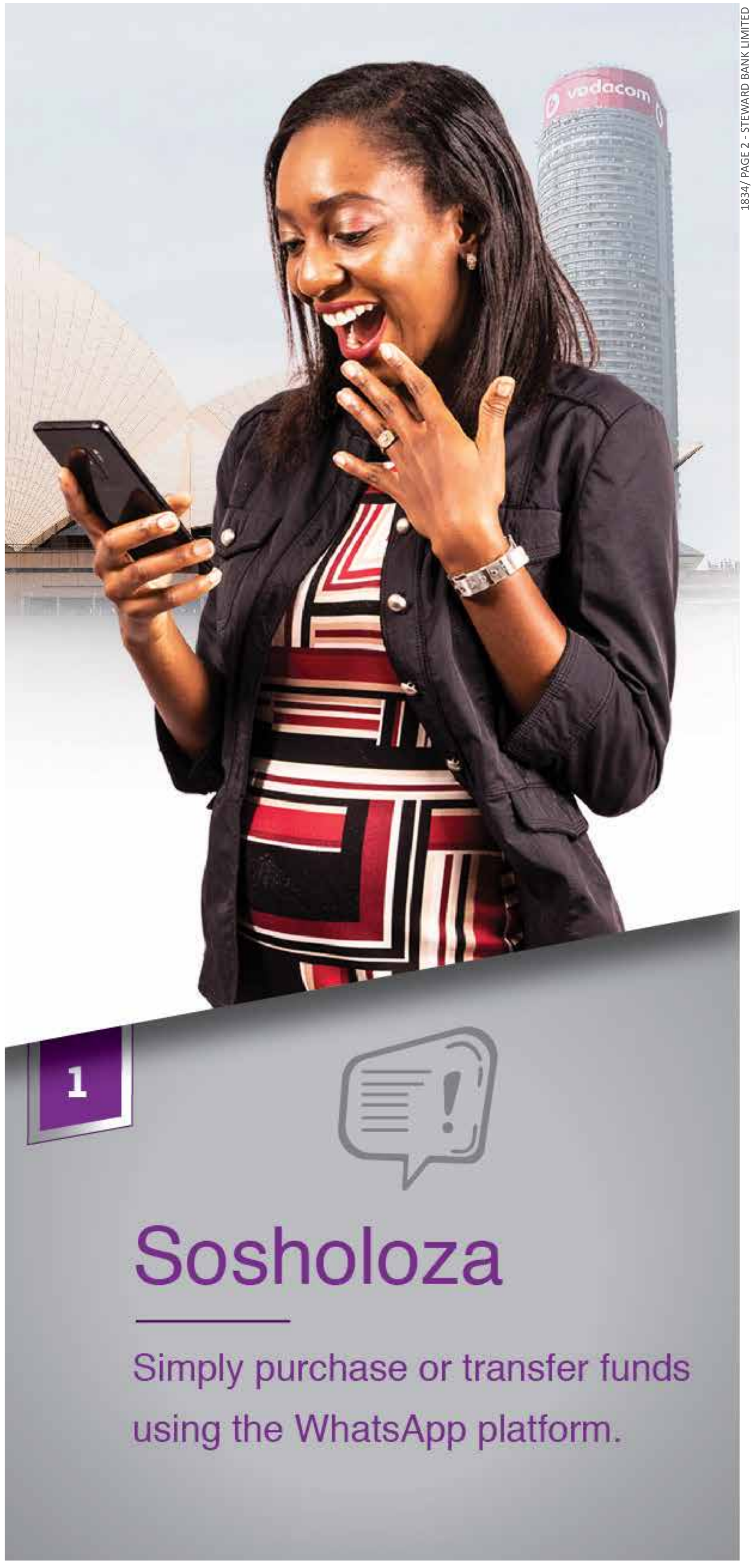
The Bank complied with the applicable laws and regulations governing its activities throughout the reporting period.

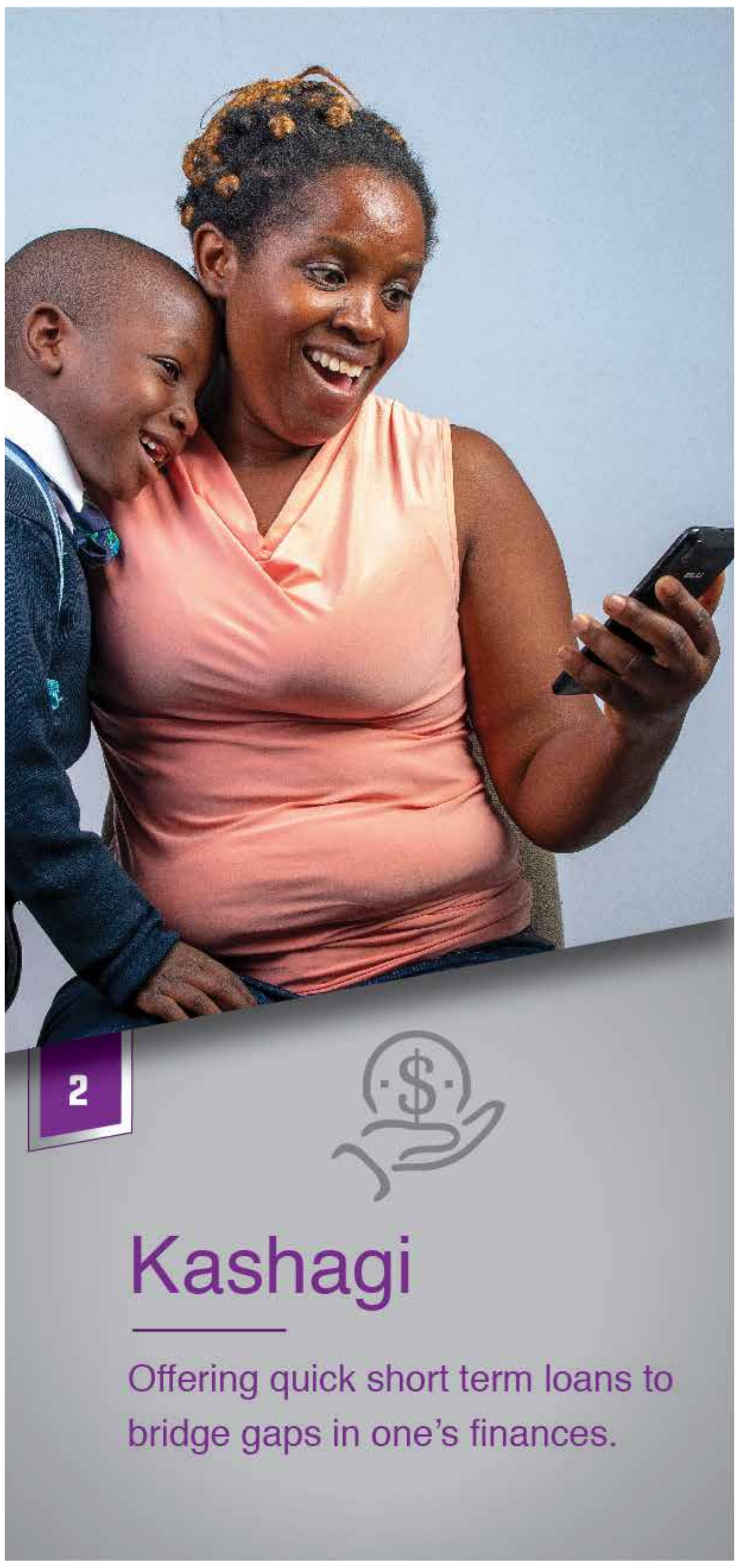
The Bank's Liquidity Ratio stood at 71.83% as at 28 February 2019 against the minimum prescribed ratio of 30%.

The audited Financial Statements for the year ended 28 February 2019 were approved at a meeting held on 25 April 2019.

Board attendance

As at 28 February 2019, the Main Board held four (4) meetings to assess risk, review performance and provide guidance to management.





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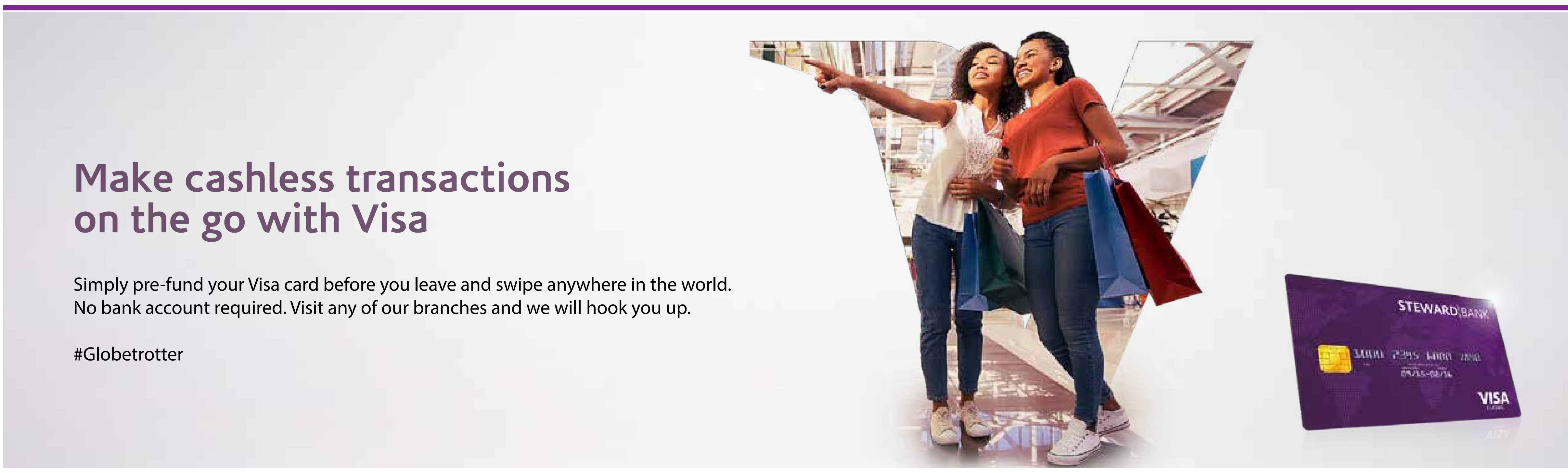
AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 28 February 2019



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Directors Attendance at Board and Committee meetings as at 28 February 2019

Name of Director	Designation	Main Board		Credit		Risk Compliance & Capital Management		Audit		IT		ALCO		Remuneration & Nominations Committee	
		Actual	Attended	Actual	Attended	Actual	Attended	Actual	Attended	Actual	Attended	Actual	Attended	Actual	Attended
B T R Chidzero	Independent Non-Executive Chairman	√√√√	√√√√	√√√√	√√√√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√√√√	√√√√
P M Mbizvo	Non-Executive Director	√√√√	√√√√	N/A	N/A	√√√√	√√√√	N/A	N/A	N/A	N/A	√√√√	√√√√	√√√√	√√√√
C Maswi	Non-Executive Director	√√√√	√√√√	N/A	N/A	N/A	N/A	√√√√	√√√√	*√√√√	√√√	*√√√√	√√√√	N/A	N/A
T Mpofu	Non-Executive Director	√√√	√√√	N/A	N/A	√√√	√√√	N/A	N/A	N/A	N/A	√√√	√√√	N/A	N/A
K Akosah-Bempah	Non-Executive Director	√√√√	√√√√	N/A	N/A	N/A	N/A	√√√√	√√√√	N/A	N/A	√√√√	√√√√	N/A	N/A
J H Gould	Non-Executive Director	√√√√	√√√√	√√√√	√√√√	N/A	N/A	N/A	N/A	√√√√	√√√√	N/A	N/A	√√√√	√√√
N N. Chadehumbe	Non-Executive Director	√√√√	√√√√	N/A	N/A	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	N/A	N/A	N/A	N/A
K V Chirairo	Non-Executive Director	√√√√	√√√√	√√√√	√√√√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
D T Mandivenga	Non-Executive Director	√√√√	**√√	N/A	N/A	√√√√	**√	N/A	N/A	√√√√	**√	N/A	N/A	N/A	N/A
L S Mambondiani	Executive Director	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√
A Chaavure	Executive Director	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√	√√√√

NB: N/A is not a member of the committee

NB: * Mr. Maswi was appointed Chairman of IT Committee effective June 2018

NB: **Mr. Mandivenga was appointed as a Director effective 3 October 2018

NB. Mrs. T Mpofu resigned effective 11 December 2018

AUDITOR'S STATEMENT

These abridged financial results should be read in conjunction with the full set of financial statements for the year ended 28 February 2019, which have been audited by Deloitte & Touche and a qualified opinion issued thereon. The basis for the qualified opinion pertains to non- compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" as well as the valuation of property, plant and equipment and intangible assets. In addition, the auditor's report carries key audit matters ("KAMs") outlining areas of the audit process that required significant attention of the auditor. The KAMs relate to valuation of expected credit losses on financial assets and existence and valuation of suspense accounts. The auditor's report on these financial statements is available for inspection at the Bank's registered office.

Deloitte & Touche
Harare, Zimbabwe

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 28 February 2019

	Notes	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Interest and related income	4	24,851,945	13,538,790
Interest and related expense	5	(3,391,271)	(242,223)
Net interest income		21,460,674	13,296,567
Non-interest income	6	90,269,612	63,065,080
Impairment on financial assets charge:			
Expected credit loss allowances	7	(7,403,789)	-
Incurred credit loss allowances		-	(6,094,134)
Net operating income		**104,326,497**	**70,267,513**
Operating expenditure	8	(68,134,488)	(37,550,608)
Profit before tax		**36,192,009**	**32,716,905**
Income tax expense	9	(4,247,261)	(10,262,657)
Profit for the year		**31,944,748**	**22,454,248**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain arising on revaluation of property and equipment, and intangible assets, net of tax		22,936,568	22,049
Total comprehensive income for the year		**54,881,316**	**22,476,297**

STATEMENT OF FINANCIAL POSITION
As at 28 February 2019

	Notes	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
ASSETS			
Cash and cash equivalents	10	276,112,073	116,073,355
Financial assets at fair value through profit or loss	11	7,668,775	852,284
Loans and advances to customers	12	55,046,211	32,824,221
Debt instruments measured at amortised cost	13	465,684,061	-
Financial assets held-to-maturity	14	-	250,276,433
Other receivables	15	60,477,079	36,753,817
Inventories	16	5,931,764	-
Non-current assets held for sale		-	130,000
Investment property	17	13,593,500	5,437,400
Property and equipment	18	35,885,761	11,656,981
Intangible assets	19	20,466,784	6,639,839
Deferred tax asset	27	-	65,879
Total assets		**940,866,008**	**460,710,209**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	4,077	4,077
Share premium	20	106,317,629	106,317,629
Other reserves	21	22,958,617	3,410,732
Retained earnings/(accumulated loss)		6,248,007	(12,719,910)
Total equity		**135,528,330**	**97,012,528**
LIABILITIES			
Deposits due to banks and customers	22	751,329,509	348,164,949
Loans and borrowings	23	2,250,000	1,771,125
Provisions	25	1,161,544	1,389,741
Other liabilities	26	46,967,986	12,371,866
Deferred tax liability	27	3,628,639	-
Total liabilities		**805,337,678**	**363,697,681**
Total equity and liabilities		**940,866,008**	**460,710,209**

STATEMENT OF CHANGES IN EQUITY
For the year ended 28 February 2019

	Share capital RTGS$	Share premium RTGS$	Other reserves RTGS$	Retained earnings/ (Accumulated) loss RTGS$	Total RTGS$
Balance at 28 February 2017	**4,077**	**106,317,629**	**3,899,036**	**(35,174,158)**	**75,046,584**
Total comprehensive income	-	-	22,049	22,454,248	**22,476,297**
Profit for the year	-	-	-	22,454,248	**22,454,248**
Other comprehensive income	-	-	22,049	-	**22,049**
Restatement of Other Reserves due to prior period Basel II excess over IAS 39 specific provision	-	-	(510,353)	-	**(510,353)**
Balance at 28 February 2018	**4,077**	**106,317,629**	**3,410,732**	**(12,719,910)**	**97,012,528**
Adjustment on initial application of IFRS 9, net of tax	-	-	(3,388,683)	(2,976,831)	**(6,365,514)**
Restated balance as at 1 March 2018 under IFRS 9	**4,077**	**106,317,629**	**22,049**	**(15,696,741)**	**90,647,014**
Total comprehensive income	-	-	22,936,568	31,944,748	**54,881,316**
Profit for the year	-	-	-	31,944,748	**31,944,748**
Other comprehensive income			22,936,568	-	**22,936,568**
Dividends paid	-	-	-	(10,000,000)	**(10,000,000)**
Balance at 28 February 2019	**4,077**	**106,317,629**	**22,958,617**	**6,248,007**	**135,528,330**

STATEMENT OF CASH FLOWS
For the year ended 28 February 2019

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	36,192,009	32,716,905
Adjustments for:		
Change in operating assets	(285,287,011)	(191,017,334)
Change in operating liabilities	439,780,952	209,506,298
Other non-cash items	(1,095,820)	7,848,709
Net cash generated from operations	**189,590,130**	**59,054,578**
Taxation paid	(8,548,075)	-
Net cash inflow from operating activities	**181,042,055**	**59,054,578**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,306,363)	(7,553,377)
Purchase of intangible assets	(2,305,848)	(873,550)
Proceeds from disposal of non-current assets held for sale	130,000	-
Net cash outflow from investing activities	**(11,482,211)**	**(8,426,927)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,000,000)	-
Net increase in loans and borrowings	478,874	1,491,125
Net cash (outflow)/inflow from financing activities	**(9,521,126)**	**1,491,125**
Net increase in cash and cash equivalents	160,038,718	52,118,776
Cash and cash equivalents at the beginning of the year	116,073,355	63,954,579
Cash and cash equivalents at the end of the year	**276,112,073**	**116,073,355**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
For the year ended 28 February 2019

1 GENERAL INFORMATION

Steward Bank Limited ("the Bank") was incorporated according to the laws of Zimbabwe on 9 October 1970 and was registered as a commercial bank in March 2008. Its registered office and principal place of business is 101 Union Avenue Building, 101 Kwame Nkrumah Avenue, Harare. The Bank's ultimate holding company is Cassava SmarTech Zimbabwe Limited.

The principal business of the Bank is to provide retail and corporate banking services in the key economic centres of Zimbabwe.

Functional and Presentation Currency

In previous financial reporting periods, the Bank adopted the United States dollar (US$) as the functional currency of the primary economic environment in which the Bank operated and as the Bank's presentation currency. On 20 February 2019, the Reserve Bank of Zimbabwe, in its Monetary Policy Statement announced the introduction of a new currency denoted as the "RTGS dollar" (RTGS$), which was indicated as comprising of existing RTGS balances, bond notes and coins in circulation. Subsequent to this, on 22 February 2019, Statutory Instrument 33 of 2019 (SI 33 of 2019) was issued and prescribed that for accounting and other purposes, all assets and liabilities that were expressed in United States dollars, immediately before the effective date of the Statutory Instrument, would be deemed to be valued in RTGS dollars, commencing from the effective date.

Following the pronouncement of the new regulations, the Bank made a significant judgement to change its functional and presentation currency from US$ to RTGS$ with effect from the effective date of SI 33 of 2019.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
For the year ended 28 February 2019

2 Basis of preparation

2.1 Statement of compliance
The Bank's audited, abridged financial statements for the year ended 28 February 2019 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board, the Banking Act of Zimbabwe (Chapter 24:20), the Companies Act of Zimbabwe (Chapter 24:03) and the relevant Statutory Instruments ("SI"); SI 62/96 and SI 33/99.

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate.

2.2 Changes in accounting policies and disclosures
In the the preparation of these financial statements, the Bank has for the first time applied IFRS 9 Financial Instruments ("IFRS 9") and the updated IFRS 7 Financial Instruments: Disclosures ("IFRS 7R"), effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.2.1. IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Bank elected, as permitted by IFRS 9, not to restate comparative information for 28 February 2018 financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented for the year ended 28 February 2019. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 March 2018 and a disclosed in Note 3.

Changes to Classification and Measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets [at fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost] have been replaced by:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at fair value through profit or loss (FVPL)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Changes to the impairment calculation:
The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

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

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

Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Significant increase in credit risk:
The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECLs or Lifetime ECLs, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk through the evaluation of a combination of criteria, including days past due, the number of notch movements on the Bank's internal credit rating scale, as well as qualitative aspects such as early warning signals and a customer/facility moving onto the Bank's watch list.

Regardless of the change in credit grades, for the Bank's Retail and Corporate Banking portfolios, if contractual payments are more than 30 days past due, the Bank deems the credit risk on an exposure to have increased significantly since initial recognition. For the Treasury and Interbank investment portfolios, the Bank considers credit risk to have increased significantly if contractual payments are more than 2 days past due for "investment grade" exposures and more than 5 days past due for "non-investment" grade exposures.

The quantitative impact of applying IFRS 9 as at 1 March 2018 are disclosed in Note 3.

Definition of default:
The Bank considers a financial instrument defaulted and therefore Stage 3 (credit impaired) for ECL calculations in all cases under its Retail and Corporate Banking portfolios when the borrower becomes 90 days past due on its contractual payments. The Bank considers Treasury and Interbank balances defaulted and takes immediate action when the required payments are not settled by the close of the 10th business day past the due date outlined in the individual agreements for "investment grade" exposures and by the close of the 5th business day past the due date outlined in the individual agreements for "non-investment grade" exposures.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the Lifetime ECLs.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

The calculation of ECLs:
The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 28 February 2019

2.2 Changes in accounting policies and disclosures (continued)

- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a "base case", a "best case", and a "worst case"). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

2.2.2 IFRS 7 Financial Instruments: Disclosures
To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 March 2018. Changes include transition disclosures as shown in Note 3, as well as detailed qualitative and quantitative information about the ECL calculations and the assumptions and inputs used.

2.3 Significant accounting judgements, estimates and assumptions
The preparation of the Bank's financial statements requires Management and Directors to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Apart from the judgements, estimates and assumptions related to the impairment losses on financial assets under IFRS 9 detailed below, the judgements applied by Management and the Directors have been consistent with those applied in the annual financial statements for the year ended 28 February 2018."

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

3 IFRS 9 Transitional Disclosures
The following information sets out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

3.1 *A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 March 2018 is, as follows:*

	IAS 39 Measurement			IFRS 9 Measurement		
	Category	Amount (RTGS$)	Reclassification (RTGS$)	Remeasurement ECL (RTGS$)	Amount (RTGS$)	Category
Financial assets:						
Cash and cash equivalents	Loans and receivables	116,073,355	-	-	116,073,355	Amortised Cost
Financial assets at fair value through profit or loss	FVPL	852,284	-	-	852,284	FVPL
Loans and advances to customers	Loans and receivables	32,824,221	-	-	32,824,221	Amortised Cost
Debt instruments measured at amortised cost		-	250,276,433	-	250,276,433	Amortised Cost
Financial assets held-to-maturity	Held-to-Maturity	250,276,433	(250,276,433)	-	-	Amortised Cost
Other receivables	Loans and receivables	36,753,817			36,753,817	Amortised Cost
Financial liabilities:						
Deposits due to banks and customers	Amortised Cost	348,164,949	-	-	348,164,949	Amortised Cost
Loans and borrowings	Amortised Cost	1,771,125	-	-	1,771,125	Amortised Cost
Provisions	N/A	1,389,741	-	-	1,389,741	N/A
Other liabilities	N/A	12,371,866	-	-	12,371,866	N/A

3.2 *The impact of transition to IFRS 9 on Reserves and Retained Earnings is, as follows:*

	RTGS$
Regulatory reserve	
Closing balance under IAS 39 (28 February 2018)	3,388,683
Reclassification adjustment in relation to adopting IFRS 9	(3,388,683)
Opening balance under IFRS 9 (1 March 2018)	-
Retained earnings	
Closing balance under IAS 39 (28 February 2018)	(12,719,910)
Recognition of IFRS 9 ECLs	(8,573,083)
Deferred tax in relation to the above	2,207,569
Reclassification from Regulatory Reserve	3,388,683
Opening balance under IFRS 9 (1 March 2018)	**(15,696,741)**
Total change in equity due to adopting IFRS 9	**(6,365,514)**

3.3 *A reconciliation of ending impairment allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9:*

	Loan loss provision under IAS 39/ IAS 37 at 28 February 2018 (RTGS$)	Remeasurement ECL (RTGS$)	ECLs under IFRS 9 at 1 March 2018 (RTGS$)
Loans and advances to customers	3,797,839	101,569	**3,899,408**
Financial assets held-to-maturity/ Debt instruments measured at amortised cost	-	7,483,468	**7,483,468**
Other receivables	-	825,987	**825,987**
	3,797,839	8,411,025	**12,208,864**
Commitments to lend	-	160,736	**160,736**
Financial guarantees	-	1,322	**1,322**
	-	162,058	**162,058**
	3,797,839	**8,573,083**	**12,370,922**

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
4 INTEREST AND RELATED INCOME		
Loans and advances to customers	3,528,921	6,274,240
Financial assets held-to-maturity	21,323,024	7,264,550
	24,851,945	**13,538,790**

3

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AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 28 February 2019

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 28 February 2019

		Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
5	**INTEREST AND RELATED EXPENSE**		
	Trading activities	3,391,271	242,223
6	**NON-INTEREST INCOME**		
6.1	**Fees and commission income**		
	Net dealing gains	3,308,080	1,692,641
	Net commissions	71,195,421	59,183,004
		74,503,501	60,875,645
6.2	**Other**		
	Fair value adjustment on financial instruments	4,790,996	678,677
	Gain on investment property arising out of change in functional and presentation currency	8,156,100	-
	Gain on property and equipment and intangible assets out of change in functional and presentation currency	17,553	-
	Sundry income	-	96,683
	Bad debts recovered	2,801,462	1,414,075
		15,766,111	2,189,435
		90,269,612	**63,065,080**

7 IMPAIRMENT ON FINANCIAL ASSETS CHARGE

7.1 *Breakdown of ECL charges/(reversals) on financial instruments for the year recognised in Profit or Loss:*

	Loan and advances to customers (RTGS$)	Debt instruments measured at amortised cost (RTGS$)	Other receivables (RTGS$)	Commitments to lend and guarantees (RTGS$)	Total (RTGS$)
Net remeasurements of loss allowance	3,403,166	4,243,628	(97,541)	(145,464)	**7,403,789**

		Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
8	**OPERATING EXPENDITURE**		
	Administration expenses	33,691,736	18,454,677
	Amortisation of intangible assets	767,903	476,526
	Audit fees	364,010	120,752
	Audit fees: Current year	304,010	120,752
	Audit fees : prior year overruns	60,000	-
	Depreciation of property and equipment	3,697,137	2,094,372
	Impairment of intangible assets	-	-
	Loss on disposal of property and equipment	-	-
	Impairment of property and equipment	-	-
	Directors' remuneration	196,881	141,748
	- short-term benefits	196,881	141,748
	- other emoluments	-	-
	Loss on revaluation of property	-	-
	Occupancy expenses	1,866,291	1,543,386
	Professional expenses	5,561,619	2,892,361
	Staff costs	21,988,911	11,826,786
	- short term benefits	21,578,850	11,178,687
	- post - employment benefits	410,061	648,099
		68,134,488	**37,550,608**
9	**INCOME TAX**		
	The components of income tax expense are as follows:		
	Current tax expense	6,299,606	1,687,953
	Deferred tax (reversal)/expense	(2,052,345)	8,574,704
	Total income tax expense	**4,247,261**	**10,262,657**
9.1	**Income tax reconciliation**		
	Accounting profit before income tax	36,192,009	32,716,905
	Taxation at normal rate of 25.75%	9,319,442	8,424,603
	Origination and reversal of temporary differences	(6,006,765)	1,008,469
	Effect of non-deductible expenses:		
	- Donations expenses	638,714	53,510
	- Other non-deductible expenses	295,870	776,075
		4,247,261	**10,262,657**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 28 February 2019

		Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
10	**CASH AND CASH EQUIVALENTS**		
10.1	**Cash and balances with central banks**		
	Balances with the Reserve Bank of Zimbabwe	276,642,661	110,191,323
	Balances with other banks	(2,844,283)	4,038,231
	Cash balances	2,313,695	1,843,801
		276,112,073	**116,073,355**
11	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Listed equities:		
	Opening balance	852,284	173,607
	Additions	2,025,495	-
	Net fair value gain	4,790,996	678,677
	Closing balance	**7,668,775**	**852,284**
12	**LOANS AND ADVANCES TO CUSTOMERS**		
12.1	**Total loans and advances**		
	Corporate loans	3,373,027	9,756,752
	Small-to-medium enterprise loans	7,137,921	1,022,151
	Consumer loans	48,315,840	27,605,264
		58,826,788	38,384,167
	Less: Allowance for expected credit losses	(3,780,577)	-
	Less: Allowance for impairment losses	-	(3,797,839)
	Less: Suspended interest	-	(1,762,107)
		55,046,211	**32,824,221**
12.2	**Maturity analysis**		
	Less than one month	15,158,632	8,085,904
	1 to 3 months	209,651	549,990
	3 to 6 months	672,505	258,074
	6 months to 1 year	2,099,552	132,531
	1 to 5 years	13,979,431	11,234,605
	Over 5 years	26,707,017	18,123,063
	Gross loans and advances	**58,826,788**	**38,384,167**

12.3 Sectorial analysis of utilisations

	28 February 2019		28 February 2018	
	RTGS$	%	RTGS$	%
Mining	2,954	0.0%	25	0.0%
Manufacturing	3,150,246	5.4%	3,874,785	10.1%
Agriculture	514,938	0.9%	804,018	2.1%
Distribution	1,039,845	1.8%	1,697,065	4.4%
Services and communication	5,923,239	10.1%	7,058,800	18.4%
Individuals	48,195,566	81.9%	24,949,474	65.0%
	58,826,788	**100.0%**	**38,384,167**	**100.0%**

12.4 ECL Allowance for impairment of loans and advances

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Loans and Advances is, as follows:

	Stage 1 RTGS$	Stage 2 RTGS$	Stage 3 RTGS$	Total RTGS$
Gross carrying amounts				
Gross carrying amount as at 1 March 2018	26,779,791	7,998,637	6,303,768	**41,082,196**
New loans and advances originated	35,341,463	338,324	1,838,510	**37,518,297**
Loans and advances derecognised or repaid (excluding write offs)	(8,932,561)	(413,017)	(3,375,732)	**(12,721,310)**
Transfers to Stage 1	5,629,068	(4,426,120)	(1,202,948)	-
Transfers to Stage 2	(21,117)	405,057	(383,940)	-
Transfers to Stage 3	(401,368)	(14,798)	416,166	-
Amounts written off	-	-	(2,749,008)	**(2,749,008)**
Gross carrying amount as at 28 February 2019	**58,395,276**	**3,888,083**	**846,816**	**63,130,175**
ECL allowance				
ECL allowance as at 1 March 2018	753,511	487,741	2,820,215	**4,061,467**
New loans and advances originated	1,518,663	152,879	827,329	**2,498,871**
Loans and advances derecognised or repaid (excluding write offs)	(478,900)	(310,502)	200,510	**(588,892)**
Transfers to Stage 1	267,017	(82,046)	(184,971)	-
Transfers to Stage 2	(6,988)	114,022	(107,034)	-
Transfers to Stage 3	(180,690)	(6,659)	187,349	-
Amounts writted off	-	-	(2,190,869)	**(2,190,869)**
ECL allowance as at 28 February 2019	**1,872,613**	**355,435**	**1,552,529**	**3,780,577**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 28 February 2019

		Audited 28 February 2018 RTGS$
12	**LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**	
12.5	**Allowance for impairment on loans and advances**	
	An analysis of the allowance for impairment losses under IAS 39 for loans and advances for the year to 28 February 2018 is, as follows:	
	Opening balance	**3,060,309**
	Net charge for the year	6,027,568
	Loans and advances written off	(5,290,038)
	Closing balance	**3,797,839**

		Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
13	**DEBT INSTRUMENTS MEASURED AT AMORTISED COST**		
	Opening Balance	-	-
	Reclassification from Financial Assets Held-to-Maturity at 1 March 2018	250,276,433	-
	Additions	222,166,667	-
	Repayments received on maturity	(1,950,457)	-
	Accrued interest	6,918,515	-
		477,411,158	-
	Less: Allowance for ECL	(11,727,097)	-
	Closing balance	**465,684,061**	-

13.1 ECL Allowance for debt instruments measured at amortised cost

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Debt Instruments measured at Amortised Cost is, as follows:

	Stage 1 RTGS$	Stage 2 RTGS$	Stage 3 RTGS$	Total RTGS$
Gross carrying amounts				
Gross carrying amount as at 1 March 2018	234,918,899	15,357,534	-	**250,276,433**
New assets purchased	405,513,087	-	-	**405,513,098**
Assets derecognised or repaid (excluding write offs)	(165,539,161)	(12,839,201)	-	**(178,378,362)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Gross carrying amount as at 28 February 2019	**474,892,825**	**2,518,333**	-	**477,411,158**
ECL allowance				
ECL allowance as at 1 March 2018	4,379,208	3,104,260	-	**7,483,468**
New assets purchased	11,218,059	-	-	**11,218,059**
Assets derecognised or repaid (excluding write offs)	(4,379,208)	(2,595,222)	-	**(6,974,430)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
ECL allowance as at 28 February 2019	**11,218,059**	**509,038**	-	**11,727,097**

		Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
14	**FINANCIAL ASSETS HELD-TO-MATURITY**		
	The table below shows Financial Assets Held-to-Maturity as at 28 February 2019		
	Opening Balance	250,276,433	54,505,121
	Re-classification to Debt Instruments measured at Amortised Cost	(250,276,433)	-
	Additions	-	242,271,870
	Repayments received on maturity	-	(49,793,963)
	Accrued interest	-	3,293,405
	Closing balance	-	**250,276,433**
15	**OTHER RECEIVABLES**		
	Sundry receivables	47,249,332	22,911,426
	Amounts due from related parties	14,050,197	13,842,391
	Less: Allowance for ECL	(822,450)	-
		60,477,079	**36,753,817**

AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 28 February 2019

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 28 February 2019

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
16 INVENTORIES		
Opening balance	-	-
Additions	5,931,764	-
Closing balance	**5,931,764**	**-**

Inventories consists of housing units developed by the Bank for re-sale.

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
17 INVESTMENT PROPERTY		
Opening balance	5,437,400	5,437,400
Fair value adjustments	8,156,100	-
Closing balance	**13,593,500**	**5,437,400**

Investment property comprises buildings and undeveloped residential land.

Investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent valuer, as at 28 February 2019. The professional independent valuer considered comparable market evidence based on lease and purchase transactions of similar buildings and residential stands. There was no rental income received on Investment Property during the year.

Reconciliation of fair value

	Investment properties		
	Office properties RTGS$	Residential stands RTGS$	Total RTGS$
Opening Balance	**800,000**	**4,637,400**	**5,437,400**
Additions	-	-	-
Exchange gain arising from change in functional and presentation currency	1,200,000	6,956,100	8,156,100
Remeasurement recognised in profit or loss	-	-	-
Closing Balance	**2,000,000**	**11,593,500**	**13,593,500**

Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Significant observable inputs	Range (weighted average)
Office properties	Implicit investment approach (Refer below)	Comparable rentals per month per sqm	US$5 - US$9
Residential stands	Market value of similar properties (Refer below)	Comparable rate per sqm	321,011 sq.m

In arriving at the market value for property, the implicit investement approach was applied based on the capitalisation of income. This method is based on the principle that rentals and capital values are inter-related, hence, given the income produced by a property, its capital value can be estimated. Comparable rentals inferred from properties within the locality of the property based on use, location, size and quality of finishes were used. The rentals were then adjusted per square meter to the lettable areas, being rentals achieved for comparable properties as at 28 February 2019. The rentals are then annualised and a capitalisation factor is applied to arrive at market value of the property, also inferring on comparable premises which are in the same category as regards the building elements.

In assessing the market value of the residential stands, values of various properties that had been recently sold or which are currently on sale and situated in comparable residential areas was used. Market evidence from other Estate Agents and local press was also taken into consideration.

18 PROPERTY AND EQUIPMENT

	Land and Buildings RTGS$	Leasehold Improvements RTGS$	Furniture and Fittings RTGS$	Office Equipment RTGS$	Computer Equipment RTGS$	Motor Vehicles RTGS$	Work in Progress RTGS$	Total RTGS$
At Cost or Valuation:								
28 February 2017	**1,200,000**	**1,975,600**	**3,217,587**	**1,965,741**	**6,196,243**	**590,360**	**507,857**	**15,653,388**
Additions	-	-	737,525	-	6,302,716	55,892	457,244	**7,553,377**
Transfer from Work-in-Progress	-	-	114,521	-	-	102,787	(395,971)	**(178,663)**
28 February 2018	**1,200,000**	**1,975,600**	**4,069,633**	**1,965,741**	**12,498,959**	**749,039**	**569,130**	**23,028,102**
Additions	-	65,994	161,812	150,881	382,075	-	8,545,601	**9,306,363**
Exchange gain arising out of change in functional and presentation currency	-	-	-	-	17,553	-	-	**17,553**
Transfers from Work-in-Progress	-	266,607	92,950	56,869	252,341	-	(668,767)	**-**
Revaluation	1,764,781	(981,182)	(799,278)	(940,087)	2,649,959	(174,929)	3,934,000	**5,453,264**
28 February 2019	**2,964,781**	**1,327,019**	**3,525,117**	**1,233,404**	**15,800,887**	**574,110**	**12,379,964**	**37,805,282**
Accumulated depreciation and impairment:								
28 February 2017	-	904,477	2,544,591	1,594,277	3,815,602	447,498	-	**9,306,445**
Depreciation charge for the year	29,696	427,503	151,557	149,532	1,296,681	39,403	-	**2,094,372**
Eliminated on revaluation	(29,696)	-	-	-	-	-	-	**(29,696)**
28 February 2018	**-**	**1,331,980**	**2,696,148**	**1,743,809**	**5,112,283**	**486,901**	**-**	**11,371,121**
Depreciation charge for the year	36,780	228,110	252,399	194,496	2,921,655	63,697	-	**3,697,137**
Eliminated on revaluation	(15,219)	(1,476,182)	(2,770,278)	(1,849,087)	(6,520,041)	(517,929)	-	**(13,148,736)**
28 February 2019	**21,561**	**83,908**	**178,269**	**89,218**	**1,513,897**	**32,669**	**-**	**1,919,522**
Net carrying amount:								
At 28 February 2019	**2,943,220**	**1,243,111**	**3,346,848**	**1,144,186**	**14,286,990**	**541,441**	**12,379,964**	**35,885,761**
At 28 February 2018	**1,200,000**	**643,620**	**1,373,485**	**221,932**	**7,386,676**	**262,138**	**569,130**	**11,656,981**

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19 INTANGIBLE ASSETS

	Computer software RTGS$	Current work in progress RTGS$	Total RTGS$
Cost:			
28 February 2017	**8,709,091**	**1,212,169**	**9,921,260**
Additions	647,437	226,113	**873,550**
Transfer from Work in Progress	187,532	(8,869)	**178,663**
28 February 2018	**9,544,060**	**1,429,413**	**10,973,473**
Additions	250,253	2,055,595	**2,305,848**
Transfer from Work in Progress	261,576	(261,576)	**-**
Revaluation	2,979,850	4,498,990	**7,478,840**
28 February 2019	**13,035,739**	**7,722,422**	**20,758,162**
Accumulated amortisation and impairment:			
28 February 2017	**3,841,098**	**16,010**	**3,857,108**
Amortisation charge for the year	476,526	-	**476,526**
28 February 2018	**4,317,624**	**16,010**	**4,333,634**
Amortisation charge for the year	767,903	-	**767,903**
Elimination on revaluation	(4,794,150)	(16,010)	**(4,810,160)**
28 February 2019	**291,377**	**-**	**291,377**
Net carrying amount:			
At 28 February 2019	**12,744,362**	**7,722,422**	**20,466,784**
At 28 February 2018	**5,226,436**	**1,413,403**	**6,639,839**

Intangible assets pertain to computer software. The Bank uses the expected usage of the asset to determine the useful life of intangible assets.

20 SHARE CAPITAL AND SHARE PREMIUM

Share capital:

	28 February 2019 No. of Shares	28 February 2018 No. of Shares	2019 RTGS$	2018 RTGS$
Authorised				
Ordinary shares of $0.0000001 each	70,000,000,000	70,000,000,000	7,000	7,000
10% Irredeemable non-cumulative preference shares of RTGS$1 each	10,000	10,000	10,000	10,000
			17,000	17,000
Issued				
Ordinary shares of $0.0000001 each	471,707,887	471,707,887	47	47
10% Irredeemable non-cumulative preference shares of RTGS$1 each	4,030	4,030	4,030	4,030
			4,077	4,077

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

Movements in share capital and share premium:

	No. of ordinary shares	No. of prefer-ence shares	Share Capital RTGS$	Share premium RTGS$	Total RTGS$
28 February 2017	**471,707,887**	**4,030**	**4,077**	**106,317,629**	**106,321,706**
28 February 2018	**471,707,887**	**4,030**	**4,077**	**106,317,629**	**106,321,706**
28 February 2019	**471,707,887**	**4,030**	**4,077**	**106,317,629**	**106,321,706**

21 OTHER RESERVES

	Revaluation surplus RTGS$	Regulatory reserve RTGS$	Total RTGS$
28 February 2017	-	3,899,036	3,899,036
Gain on revaluation, net of tax	22,049	-	22,049
Impairment allowance for loans and advances	-	(510,353)	(510,353)
28 February 2018	**22,049**	**3,388,683**	**3,410,732**
Reclassification adjustment in relation to adopting IFRS 9	-	(3,388,683)	(3,388,683)
Gain on revaluation, net of tax	22,936,568	-	22,936,568
28 February 2019	**22,958,617**	**-**	**22,958,617**

Revaluation surplus
This reserve represents the surplus arising from the revaluation of owner occupied property.

Regulatory reserve
This reserve caters for any excess credit loss provisions that may result from calculation of impairments on loans and receivables per the Reserve Bank of Zimbabwe regulatory approach.

22 DEPOSITS DUE TO BANKS AND CUSTOMERS

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Due to customers		
Current accounts	746,635,400	342,086,309
Term deposits	4,694,109	6,078,640
	751,329,509	**348,164,949**

At 28 February 2019, approximately $289.3 million or 42.7% of the Bank's deposits due to customers (At 28 February 2017: $190.5 million or 54.5%) represents balances owed to a related party entity in the telecommunications sector.

A concentration of risk therefore exists in the event that the business of the counterparty is adversely affected by changes in economic or other conditions. However, at 28 February 2019 the Bank's management was not aware of any economic or other conditions that may adversely affect the business of the counterparty.

22.1 Maturity analysis of deposits

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Less than one month	746,978,210	347,380,178
1 to 3 months	4,351,299	784,771
	751,329,509	**348,164,949**

22.2 Sectorial analysis of deposits

	28 February 2019		28 February 2018	
	RTGS$	%	RTGS$	%
Financial	5,039,078	0.7%	15,165,861	4.4%
Transport and telecommunications	630,552,816	83.9%	236,321,183	67.9%
Mining	479,682	0.1%	542,269	0.2%
Manufacturing	9,058,744	1.2%	8,407,777	2.4%
Agriculture	1,759,532	0.2%	820,820	0.2%
Distribution	4,465,704	0.6%	3,338,266	1.0%
Services	29,390,957	3.9%	13,588,773	3.9%
Government and parastatals	423,022	0.1%	2,085,295	0.6%
Individuals	61,912,976	8.2%	63,272,696	18.2%
Other	8,246,998	1.1%	4,622,009	1.3%
	751,329,509	**100.0%**	**348,164,949**	**100.0%**

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23 LOANS AND BORROWINGS

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Offshore borrowings	-	-
Lines of credit	2,250,000	1,771,125
	2,250,000	**1,771,125**

23.1 Maturity profile of loans and borrowings

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Less than one month	-	-
1 to 6 months	-	-
6 months to 1 year	2,250,000	1,771,125
1 to 5 years	-	-
	2,250,000	**1,771,125**

The line of credit consists of funds advanced to the Bank for disbursement to entities in the agriculture value chain. The line is priced at 5% per annum, is unsecured, and payable over a tenure of 12-36 months.

24 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 28 February 2019:

			Fair value measurement using:		
Assets measured at fair value:	Date of Valuation	Total RTGS$	Quoted prices in active markets (Level 1) RTGS$	Significant observable inputs (Level 2) RTGS$	Significant unobservable inputs (Level 3) RTGS$
Investment properties (Note 16)					
Office buildings	28 February 2019	**11,593,500**	-	11,593,500	-
Residential stands	28 February 2019	**2,000,000**	-	2,000,000	-
Total Investment property		**13,593,500**	-	13,593,500	-
Quoted equity shares (Note 11)					
Telecommunications sector	28 February 2019	**7,668,775**	7,668,775	-	-
Property and equipment (Note 18)					
Property and equipment	1 October 2018	**35,885,761**	-	35,885,761	-
Intangible assets (Note 19)					
Computer software	1 October 2018	**20,466,784**	-	20,466,784	-

There have been no transfers between Level 1 and Level 2 during the year.

Fair value hierarchy for financial instruments measured at fair value as at 28 February 2018

			Fair value measurement using:		
Assets measured at fair value:	Date of Valuation	Total RTGS$	Quoted prices in active markets (Level 1) RTGS$	Significant observable inputs (Level 2) RTGS$	Significant unobservable inputs (Level 3) RTGS$
Investment property:					
Residential stands	28 February 2018	**4,637,400**	-	4,637,400	-
Office buildings	28 February 2018	**800,000**	-	800,000	-
Total Investment property		**5,437,400**		5,437,400	
Quoted equity shares					
Telecommunications sector	28 February 2018	**852,284**	852,284	-	-

Fair value hierarchy
The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FAIR VALUES OF FINANCIAL INSTRUMENTS
The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, loans and advances, deposits and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Loans and advances excluding mortgages to staff approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of mortgage facilities to employees is estimated considering (i) current or quoted prices for identical instruments in the financial services sector and (ii) a net present value calculated from the average market yield rates with similar maturities and credit risk factors.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 28 February 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of unquoted instruments, loans from banks and other financial liabilities and obligations under finance leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of financial assets at fair value through profit or loss are derived from quoted market prices in active markets.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
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24 FAIR VALUE MEASUREMENT (CONTINUED)

	Audited 28 February 2019		Audited 28 February 2018	
	Carrying amount RTGS$	Fair value RTGS$	Carrying amount RTGS$	Fair value RTGS$
Financial assets				
Cash and cash equivalents	276,112,073	276,112,073	116,073,355	116,073,355
Financial assets at fair value through profit or loss	7,668,775	7,668,775	852,284	852,284
Loans and advances to customers	55,046,211	55,046,211	43,921,363	38,384,167
Debt instruments measured at amortised cost	465,684,061	465,684,061	-	-
Financial assets held to maturity	-	-	250,276,433	250,276,433
Other receivables	60,477,079	60,477,079	36,753,817	36,753,817
	864,988,199	**864,988,199**	**447,877,252**	**442,340,056**
Financial liabilities				
Deposits due to banks and customers	751,329,509	751,329,509	348,164,949	348,164,949
Loans and borrowings	2,250,000	2,250,000	1,771,125	1,771,125
	753,579,509	**753,579,509**	**349,936,074**	**349,936,074**

25 PROVISIONS

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Provisions	**1,161,544**	**1,389,741**

	Leave Pay and Provision for Demolition costs RTGS$	Total RTGS$
Balance at 28 February 2018	**1,389,741**	**1,389,741**
Current provision	4,049,512	**4,049,512**
Amount utilised	(4,277,709)	**(4,277,709)**
Balance at 28 February 2019	**1,161,544**	**1,161,544**

26 OTHER LIABILITIES

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Sundry creditors and accruals	**46,967,986**	**12,371,866**

27 DEFERRED TAX (ASSET)/LIABILITY

	Accelerated wear and tear RTGS$	Fair value adjust-ments RTGS$	Assessed losses RTGS$	Other RTGS$	Total RTGS$
At 28 February 2018	**1,456,371**	**682,587**	**-**	**(2,204,837)**	**(65,879)**
Deferred tax in relation to transition to IFRS 9	-	-	-	(2,207,569)	**(2,207,569)**
Charge/(credit) to profit for the year	4,953,407	(6,341,797)	-	(663,955)	**(2,052,345)**
Charge to other comprehensive income	-	7,954,432	-	-	**7,954,432**
At 28 February 2019	**6,409,778**	**2,295,222**	**-**	**(5,076,361)**	**3,628,639**

28 RELATED PARTY DISCLOSURES

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Compensation of key management personnel of the Bank:		
Short-term benefits	1,728,789	1,571,626
Post-employment benefits	108,838	98,943
	1,837,627	**1,670,569**

29 RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, strategic risk, reputational risk and market risk. It is also subject to country risk and various operating risks.

29.1 Credit Risk
Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the credit quality of the Bank's financial instruments and the maximum exposure to credit risk based on the Bank's internal credit rating system and year end stage classification.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
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29 RISK MANAGEMENT (CONTINUED)

	High grade	Standard grade		Sub-standard	Past due but not impaired	Individu-ally impaired	
	Stage 1 RTGS$	Stage 1 RTGS$	Stage 2 RTGS$	Stage 2 RTGS$	Stage 3 RTGS$	Stage 3 RTGS$	Total RTGS$
At 28 February 2019:							
Loans and advances to customers:							
Retail portfolio - consumer and mortgage loans	38,094,678	-	3,674,279	-	1,175,686	161,563	**43,106,206**
Retail portfolio - Credit cards	67,749	-	30,568	-	99,530	356,649	**554,496**
Corporate and SME portfolio	10,005,941	-	3,451,731	45,676	1,337,956	324,781	**15,166,085**
	48,168,368	**-**	**7,156,578**	**45,676**	**2,613,172**	**842,994**	**58,826,788**
Debt instruments measured at amortised cost:							
Exposure to banks	50,253,558	40,469,181	10,518,444	-	-	-	**101,241,183**
Government debt securities	376,169,972	-	-	-	-	-	**376,169,974**
	426,423,533	**40,469,181**	**10,518,444**	**-**	**-**	**-**	**477,411,158**
Other receivables	-	-	4,455,657	-	-	-	**4,455,657**
Contingent liabilites, commitments							
Financial guarantees	319,250	-	-	-	-	-	**319,250**
Commitments to lend	7,543,062	-	-	-	-	-	**7,543,062**
	7,862,312	**-**	**-**	**-**	**-**	**-**	**7,862,312**
	482,454,214	**40,469,181**	**22,130,679**	**45,676**	**2,613,172**	**842,993**	**548,555,915**

The table below shows the credit quality of loan exposures by industrial sector as at 28 February 2018. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired					
	Grade A High Grade RTGS$	Grade B Standard Grade RTGS$	Grade C Sub-stan-dard RTGS$	Past due but not impaired RTGS$	Individually impaired RTGS$	Total RTGS$
At 28 February 2018:						
Individuals	15,231,101	1,594,344	5,699,466	492,228	1,932,335	**24,949,474**
Mining	-	-	-	-	25	**25**
Manufacturing	2,179,026	-	313,133	-	1,382,626	**3,874,785**
Agriculture	17,948	-	541,295	-	244,774	**804,017**
Distribution	120,887	-	911,109	481,047	184,023	**1,697,066**
Services	2,982,780	1,974,549	1,162,192	17,856	921,423	**7,058,800**
	20,531,742	**3,568,893**	**8,627,195**	**991,131**	**4,665,206**	**38,384,167**

29.2 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 Board has established limits on the non–trading interest rate gaps for stipulated periods. The Bank's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The table below summaries the Bank's interest rate risk exposure:

TOTAL POSITION At 28 February 2019	Up to 1 month RTGS$	1 month to 3 months RTGS$	3 months to 1 year RTGS$	1 to 5 years RTGS$	Non-interest bearing RTGS$	Total RTGS$
Assets						
Cash and cash equivalents	-	-	-	-	276,112,073	**276,112,073**
Financial assets at fair value through profit or loss	-	-	-	-	7,668,775	**7,668,775**
Loans and advances to customers	15,158,632	209,651	2,772,058	36,905,870	-	**55,046,211**
Debt instruments measured at amortised cost	4,010,592	202,039,857	71,074,318	188,559,294	-	**465,684,061**
Other receivables	-	-	-	-	60,477,079	**60,477,079**
Inventories	-	-	-	-	5,931,764	**5,931,764**
Investment property	-	-	-	-	13,593,500	**13,593,500**
Property and equipment	-	-	-	-	35,885,761	**35,885,761**
Intangible assets	-	-	-	-	20,466,784	**20,466,784**
	19,169,224	**202,249,508**	**73,846,376**	**225,465,164**	**420,135,736**	**940,866,008**
Liabilities and equity						
Deposits due to banks and customers	746,978,210	4,351,299	-	-	-	**751,329,509**
Loans and borrowings	-	-	2,250,000	-	-	**2,250,000**
Provisions	-	-	-	-	1,161,544	**1,161,544**
Other liabilities	-	-	-	-	46,967,986	**46,967,986**
Deferred tax liability	-	-	-	-	3,628,639	**3,628,639**
Equity	-	-	-	-	135,528,330	**135,528,330**
	746,978,210	**4,351,299**	**2,250,000**	**-**	**187,286,499**	**940,866,008**
Interest rate repricing gap	**(727,808,986)**	**197,898,209**	**71,596,376**	**225,465,164**	**232,849,237**	**-**
Cumulative gap	**(727,808,986)**	**(529,910,777)**	**(458,314,401)**	**(232,849,237)**	**-**	**-**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 28 February 2019

29 RISK MANAGEMENT (CONTINUED)

29.2 Interest rate risk (continued)

At 28 February 2018	Up to 1 month RTGS$	1 month to 3 months RTGS$	3 months to 1 year RTGS$	1 to 5 years RTGS$	Over 5 years RTGS$	Non-interest bearing RTGS$	Total RTGS$
Assets							
Cash and cash equivalents	-	-	-	-	-	116,073,355	116,073,355
Financial assets at fair value through profit or loss	-	-	-	-	-	852,284	852,284
Loans and advances to customers	8,085,904	549,991	390,605	23,797,721	-	-	32,824,221
Financial assets held to maturity	18,985,880	62,761,627	94,206,800	74,322,126	-	-	250,276,433
Other receivables	-	-	-	-	-	36,753,817	36,753,817
Non-current assets held for sale	-	-	-	-	-	130,000	130,000
Investment property	-	-	-	-	-	5,437,400	5,437,400
Property and equipment	-	-	-	-	-	11,656,981	11,656,981
Intangible assets	-	-	-	-	-	6,639,839	6,639,839
Deferred tax asset	-	-	-	-	-	65,879	65,879
	27,071,784	63,311,618	94,597,405	98,119,847	-	177,609,555	460,710,209
Liabilities and equity							
Deposits due to banks and customers	347,380,178	784,771	-	-	-	-	348,164,949
Loans and borrowings	-	-	1,771,125	-	-	-	1,771,125
Provisions	-	-	-	-	-	1,389,741	1,389,741
Other liabilities	-	-	-	-	-	12,371,866	12,371,866
Equity	-	-	-	-	-	97,012,528	97,012,528
	347,380,178	784,771	1,771,125	-	-	110,774,135	460,710,209
Interest rate repricing gap	(320,308,394)	62,526,847	92,826,280	98,119,847	-	66,835,420	-
Cumulative gap	(320,308,394)	(257,781,547)	(164,955,267)	(66,835,420)	(66,835,420)	-	-

29.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

29.3.1 Liquidity ratios

	Audited 28 February 2019	Audited 28 February 2018
Loans to deposits ratio	7%	11%
Net liquid assets to customer liabilities ratio	75%	70%

29.3.2 Contractual maturities of undiscounted cash flows of financial assets and liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	On demand RTGS$	Less than 3 months RTGS$	3 months to 1 year RTGS$	1 to 5 years RTGS$	Over 5 years RTGS$	Total RTGS$
At 28 February 2019						
Financial assets:						
Cash and cash equivalents	276,112,073	-	-	-	-	276,112,073
Financial assets at fair value through profit or loss	7,668,775	-	-	-	-	7,668,775
Loans and advances to customers	15,158,632	209,651	2,772,058	13,979,431	26,707,017	58,826,789
Debt instruments measured at amortised cost	4,010,592	202,039,857	71,074,318	200,286,391	-	477,411,158
Other receivables	60,477,079	-	-	-	-	60,477,079
Total undiscounted financial assets	363,427,152	202,249,508	73,846,376	214,265,821	26,707,017	880,495,874
Financial liabilities:						
Deposits due to banks and customers	746,978,210	4,351,299	-	-	-	751,329,509
Loans and borrowings	-	-	2,250,000	-	-	2,250,000
Total undiscounted financial liabilities	746,978,210	4,351,299	2,250,000	-	-	753,579,509
Net undiscounted financial assets/(liabilities)	(383,551,059)	197,898,209	71,596,376	214,265,822	26,707,017	126,916,365
At 28 February 2018						
Financial assets:						
Cash and cash equivalents	116,073,355	-	-	-	-	116,073,355
Financial assets at fair value through profit or loss	852,284					852,284
Loans and advances to customers	8,085,904	549,990	5,990,747	11,234,605	12,563,117	38,424,363
Financial assets held-to-maturity	18,985,880	62,761,627	94,206,800	74,322,126	-	250,276,433
Other receivables	36,753,817	-	-	-	-	36,753,817
Total undiscounted financial assets	180,751,240	63,311,617	100,197,547	85,556,731	12,563,117	442,380,252
Financial liabilities:						
Deposits due to banks and customers	347,380,178	784,771	-	-	-	348,164,949
Loans and borrowings	-	-	1,771,125	-	-	1,771,125
Total undiscounted financial liabilities	347,380,178	784,771	1,771,125	-	-	349,936,074
Net undiscounted financial assets/(liabilities)	(166,628,938)	62,526,846	98,426,422	85,556,731	12,563,117	92,444,178

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29 RISK MANAGEMENT (CONTINUED)

29.3.3 Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Financial guarantees	319,250	30,000
Commitments to lend	7,543,062	6,115,684
	7,862,312	6,145,684

ECL Allowances on commitments and guarantees

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Commitments and Guarantees is, as follows:

	Stage 1 RTGS$	Stage 2 RTGS$	Stage 3 RTGS$	Total RTGS$
Gross carrying amounts				
Outstanding exposures as at 1 March 2018	6,145,684	-	-	6,145,684
New exposures	1,716,628	-	-	1,716,628
Exposures derecognised or matured/ lapsed (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts writted off	-	-	-	-
Gross carrying amount as at 28 February 2019	7,862,312	-	-	7,862,312
ECL allowance				
ECL allowance as at 1 March 2018	162,058	-	-	162,058
New exposures	3,777	-	-	3,777
Exposures derecognised or matured (excluding write offs)	(149,240)	-	-	(149,240)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts writted off	-	-	-	-
ECL allowance as at 28 February 2019	16,595	-	-	16,595

29.4 OTHER RISKS

29.4.1 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

29.4.2 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, law, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the institution to fines and payment of damages. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. The Internal Audit and the Risk Department ensure that the Bank fully complies with all relevant laws and regulations.

29.4.3 Reputational risk

Reputational risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the institution's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss, or a decline in its customer base. The Bank has a Business Development department whose mandate is to manage this risk.

29.5 Reserve Bank Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection of the Bank in November 2014 and the final ratings that were determined on the Bank are detailed below:

29.5.1 CAMELS* Ratings

CAMELS Component	RBS** Ratings 30/11/2014
Capital Adequacy	1 - Strong
Asset Quality	4 - Weak
Management	2 - Satisfactory
Earnings	4 - Weak
Liquidity	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory
Composite Rating	3 - Fair

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

29.5.2 Summary risk matrix – 30 November 2014 onsite examination

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

KEY
Level of Inherent Risk:

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

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For the year ended 28 February 2019

29 RISK MANAGEMENT (CONTINUED)

29.5.2 Summary risk matrix – 30 November 2014 onsite examination (continued)
Adequacy of Risk Management Systems:

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

High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in significant and harmful loss to the banking institution.

Weak – risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention.

The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies or procedures.

Acceptable – management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong – management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk:

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

Moderate – risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High – risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite Risk:

Increasing – based on the current information, risk is expected to increase in the next 12 months.

Decreasing – based on the current information, risk is expected to decrease in the next 12 months.

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

30 CAPITAL MANAGEMENT

The objective of the Bank's capital management is to ensure that it complies with the Reserve Bank of Zimbabwe (RBZ) requirements. In implementing the current capital requirements, the RBZ requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets. Risk weighted assets are arrived at by applying the appropriate risk factor as determined by the RBZ to the monetary value of the various assets as they appear on the Bank's statement of financial position.

Regulatory capital consists of:

- Tier 1 Capital ("the core capital"), which comprises share capital, share premium, retained earnings (including the current year profit or loss), the statutory reserve and other equity reserves.

  The core capital shall comprise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets.

- Tier 2 Capital ("supplementary capital"), which includes subordinated term debt, revaluation reserves and portfolio provisions.

- Tier 3 Capital ("tertiary capital") relates to an allocation of capital to meet market and operational risks.

The Bank's regulatory capital position was as follows:

	Audited 28 February 2019 RTGS$	Audited 28 February 2018 RTGS$
Share capital	4,077	4,077
Share premium	106,317,629	106,317,629
Accumulated profit/(loss)	6,248,007	(12,719,910)
Deferred tax asset	-	(65,879)
	112,569,713	93,535,917
Less: Capital allocated for market and operational risk	(5,884,958)	(4,531,362)
Advances to insiders	(14,050,197)	(13,842,391)
Guarantees to insiders	-	(30,000)
Tier 1 capital	92,634,558	75,132,164
Tier 2 capital	22,958,617	3,410,732
Other reserves	22,958,617	22,049
General provisions	-	3,388,683
Total Tier 1 and 2 capital	115,593,175	78,542,896
Tier 3 capital (sum of market and operational risk capital)	5,884,958	4,531,362
Total Capital Base	121,478,133	83,074,258
Total risk weighted assets	177,740,059	123,473,687
Tier 1 ratio	52%	61%
Tier 2 ratio	13%	3%
Tier 3 ratio	3%	4%
Total capital adequacy ratio	68%	68%
RBZ minimum requirement	12%	12%

31 EXTERNAL CREDIT RATINGS

	Most recent rating: October 2018	Previous rating: October 2017	Previous rating: September 2016
Rating agent: Global Credit Rating Co (GCR)	BBB	BBB	BBB-