AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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CHAIRMAN'S STATEMENT

It is my distinct honour to present to you the financial performance of the Agricultural Bank of Zimbabwe (Agribank) for the year ended 31 December 2019 as the new Chairman of the Board.

Economic Overview

The macroeconomic environment for 2019 was challenging given the continued foreign currency shortages, the impact of fiscal reforms as well as exogenous shocks in the form of the El-Nino induced drought and the destruction caused by Cyclone Idai. These developments compromised economic activities including electricity generation, with extended effects on almost all economic sectors, pushing the economy to contract by an estimated 6.5%.

Key monetary policies pronouncements made during the year included the removal of the multicurrency system, which had been in place since 2009, adoption of the Zimbabwe dollar as the sole legal tender and the introduction of the interbank market. The introduction of a mono-currency was and continues to be a major adjustment influencing both business and the transacting public. The Bank is continuously monitoring these policy changes and adapting its strategy as appropriate.

Headline inflation continued on an upward trend during the year, ending with a month on month moderation of 16.6% - an implied annual headline inflation of 521% by December 2019, leading the Public Accountants and Auditors Board (PAAB) to prescribe hyper-inflationary financial reporting with effect from 1 July 2019. Inflationary pressures mainly arose from the rapid depreciation of the exchange rates between the local currency and other major currencies, which in turn was fuelled by adverse market expectations and increases in broad money supply.

The depreciation of the local currency and significant inflationary pressures negatively affected lending activities. Average lending rates increased from an average of 15% in 2018 to 25% in 2019.

Fiscal Developments

The fiscal policy measures implemented during the year focused on both revenue growth and expenditure containment. The year 2019 was characterised by improved fiscal management and elevated revenue collection mechanisms. As a result, Government recorded a budget surplus of ZWL395.6 million for the year. Revenue collections during the year performed above target by ZWL3.74 billion, with tax and non-tax revenue surpassing targets by 19.5%.

The budget surplus represents significant progress by Government towards fiscal consolidation and these positive results are an integral part of the Staff Monitored Program, agreed with the IMF. Due to these measures, the Government cleared its overdraft facility with the Reserve Bank of Zimbabwe and did not access the facility in 2019. This is a very encouraging development and in the positive direction towards restoring the economy.

Monetary Developments

Broad money supply growth continued to underpin exchange rate depreciation during the year. Over the year to December 2019, broad money supply (M3) grew by 245% to ZWL34.5 billion, from ZWL10 billion in December 2018. The surge in broad money supply has underpinned the volatile exchange rate.

External Sector Developments

The country's Balance of Payments position showed signs of improvement, with the current account improving from a deficit of US$1 387.98 million in 2018 to a surplus of US$311.2 million in 2019 due to a sharp decline in imports. However, some of the hardest hit imports are key inputs into the domestic production process, such as raw materials, chemicals and electricity and inadvertently this negatively affected local production.

Sustained power outages, persistent fuel shortages, foreign currency challenges and high operational costs amid rising inflationary pressures, among other factors, adversely affected production in the mining sector and consequently mineral exports.

Legal and Regulatory Compliance

During the year 2019, the Bank complied with all legal and regulatory requirements. The Bank has implemented the regulatory and compliance requirements stipulated in the Monetary Policy Statements.

Agribank Corporate Social Responsibility

Agribank continues to engage in Corporate Social Responsibility (CSR) with the express objective of supporting the communities in which we operate in. The Bank has made remarkable contributions to communities during the year in line with the Bank's Corporate Social Responsibility. The Bank donated food, clothing and cash to Cyclone Idai victims in March 2019. The Bank also supported rural schools through the Schools Deposit Promotion Programme. Over 75 schools benefited from the Agribank Schools Deposit Promotion programme, at both Provincial and National level.

Governance

The Bank remains committed to the highest standards in corporate governance over and above observing the regulatory requirements. During the year under review, the shareholder appointed a new Board of Directors. The Bank has constituted the Board Committees in line with the requirements of the Banking Act [Chapter 24:20]. The previous Board retired after serving full term of ten years per regulatory requirements. During its tenure, the previous Board contributed immensely to the success of the Bank and it is upon this solid foundation that the new Board will continue to build. On behalf of the Bank and Board, I wish the previous Board members the best in their future endeavours.

Effective 31 January 2020, Somkhosi Mahamba Temba Malaba, retired from the position of Chief Executive Officer having served the Bank in this position for over fifteen years. On behalf of the Board, Management and Staff of Agribank, I extend my sincere gratitude to Mr. Malaba for his distinguished service and leadership demonstrated in particular by guiding the turnaround of the Bank, ensuring profitability, as well as pursuit of the mandate for agricultural financing and development. We wish him the best of luck in his future endeavours. Meanwhile, the Board of Directors appointed Mr. Elfas Chimbera, the Executive Director Finance as Acting Chief Executive Officer until the appointment of a substantive Chief Executive Officer. We wish Mr. Chimbera all the best in this new role.

Dividend

Despite the challenges and uncertainties in the macroeconomic environment, the Bank declared and paid a dividend of ZWL5 527 000 to the shareholder in 2019 for the financial year ended 31 December 2018.

COVID-19

On 11 April 2020, the World Health Organisation (WHO) declared COVID-19 (coronavirus) a global pandemic due the rising rate and scale of infection observed. The rapid spread of the virus and particularly in recent weeks has caused significant disruption in global markets. At national level, COVID-19 has been declared a national disaster. We continue to monitor the impact that COVID-19 is having on global markets and our business to ensure we are in a position to make decisions in the best interests of our employees, customers and other key stakeholders. We have established a special business continuity committee, which is working to ensure that we limit the risk of infection to our employees and customers where we offer banking services in all our locations countrywide.

Outlook and Business Strategy

The near term Macroeconomic outlook and business environment has changed considerably following the outbreak of the covid-19 pandemic in December 2019, which continues to have far reaching adverse implications and across the global economy. The IMF estimates the global economy real GDP decline of about 3%, as a result of lock downs which many countries has instituted. The SADC region and Zimbabwe has not been spared, as regional countries have followed the global trend and instituted lockdown to contain the spread of the pandemic. Real GDP decline in Zimbabwe, though not yet quantified, will be significant and recovery will be protracted and conditional on the efficacy and effectiveness of fiscal and monetary stimulus measures likely to be implemented in the aftermath of the pandemic. The Bank has incepted the Business Continuity Plan and will continue to access the impact of the covid-19 pandemic on business continuity and sustainability.

High inflation will persist during the year, as such, the Bank will implement value preservation strategies to ensure going concern, business growth and continuity.

The Bank will continue to expand support to agriculture as per mandate while at the same time exploring new frontiers for innovation IT based new products and delivery channels. As such, elevated agriculture interventions and IT based channels will remain priority strategic initiatives.

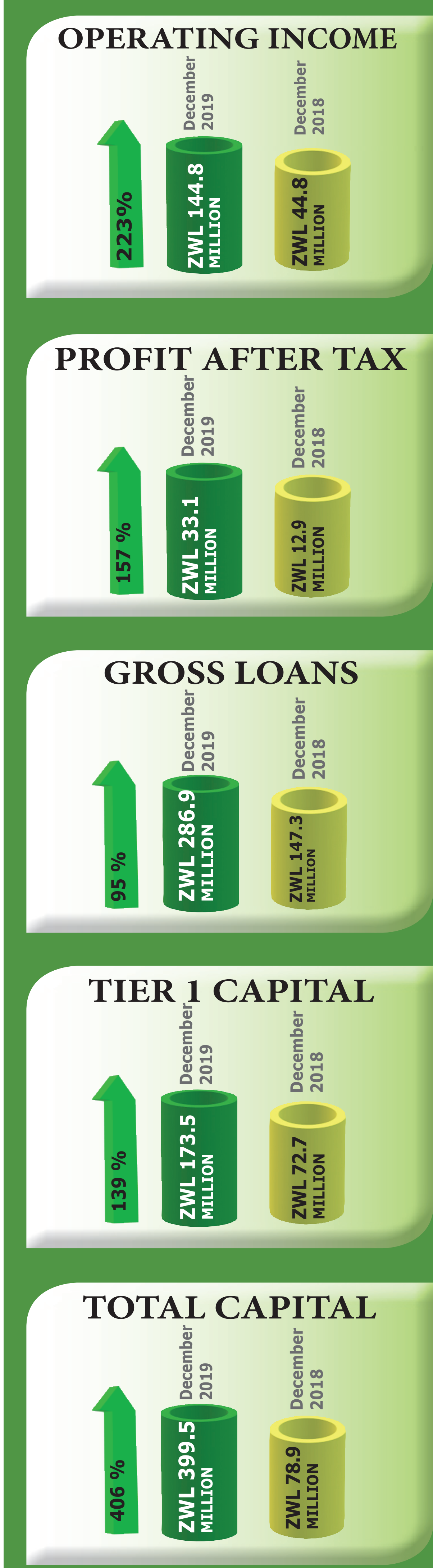
Appreciation

I would like to convey my sincere gratitude to the Government as the shareholder, regulatory authorities, stakeholders and clients for their unwavering support, which continues to keep the Agribank brand shining. To my fellow board members, management and staff, I extend my heartfelt gratitude for the high level of commitment and contribution which has culminated in the achievement of business growth and profitability.

I look forward to the continued dedication of the team as we navigate through the prevailing economic challenges while keeping focused on our quest for prosperity and the pursuit of the mandate for agriculture financing and development.

G. T. Matemachani
Chairman
28 April 2020

FINANCIAL HIGHLIGHTS



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AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

CHIEF EXECUTIVE OFFICER'S REPORT

It is my pleasure to present financial results for the Bank for the year ended 31 December 2019.

Financial Performance

The Bank recorded a profit after tax of ZWL33 million in historical terms for the year 2019, representing a 157% growth compared to ZWL13 million recorded in 2018. The profit for the year was mainly driven by growth in non-interest income as well as interest income, against the background of increased transactions from the ICT delivery channels and electronic banking (e-channels) and a marked growth in the loan book. The review of interest rates and bank charges carried out during the year also contributed to growth in income.

Interest income grew by 27% from ZWL37 million to close 2019 at ZWL47 million. The loan book growth reflected expansion in support to agriculture and its value chain. A significant part of the agriculture loan book growth came from supporting smart agriculture programmes for the 2019/20 agriculture season. The Bank came up with supportive structures to finance seed houses and fertilizer manufacturers in an endeavour to ensure adequate supply of critical inputs to farmers under the smart agriculture programmes.

Non-interest income grew by 589% from 2018 to close 2019 at ZWL113 million. Growth in non-interest income was mainly driven by foreign currency revaluation gains and increased customer transactions on the ICT delivery channels and electronic banking channels (e-channels). During the course of the year, the Government gazetted SI 142 resulting in recognition of the ZWL dollar as legal tender with a starting exchange rate of ZWL2.50: USD1. Consequently, the Bank experienced foreign exchange gains as the ZWL dollar continued to devalue during the year to close 31 December 2019 at an average interbank exchange rate of ZWL17: USD1. The total income from e-channels and POS machines for the year 2019 at ZWL27 million accounted for 24% of total non – interest income. On a year on year basis, commission income from e-channels and POS machines went up by 121% from 2018. This remains an area of growth for the Bank.

Total operating expenditure for the year amounted to ZWL88 million, representing an annual growth of 214% over the previous year. Total operating income amounted to ZWL145 million, representing a growth of 223% over the previous year.

Reflecting sustained cost containment, the full year 2019 cost to income ratio was 61%. The staff costs to income ratio for the year 2019 was 20%, improving from 24% for 2018. The Bank therefore surpassed the Shareholder target of 30% for State Owned Enterprises.

Sustained cost control and containment also helped the Bank to achieve profitability given the cost pressures from the high inflationary environment. Most customer transactions were done electronically which helped to reduce the cost of doing business. Expenditures were mostly limited to mission critical requirements.

Financial position

Total assets increased by 397% from ZWL306 million as at December 2018 to ZWL1.5 billion as at December 2019. Gross loans and advances were ZWL287 million representing a 95% increase from ZWL147 million in 2018. The increase was attributable to increased agriculture lending as the Bank expanded agricultural financing interventions during the year.

The loan to deposit ratio for the year was 51% compared to 85% for 2018 due to growth in deposits. The focus for the Bank is to sustain quality asset growth without overstretching the liquidity position. Deposits from customers closed the year at ZWL567 million representing an increase of 227% from 2018 showing positive effect of the Bank's deposit mobilization strategies. The liquidity ratio closed the year at 77% and well above the RBZ regulatory minimum requirement of 30%.

Total shareholders' funds closed the year at ZWL399 million. The Bank's Tier 1 capital was ZWL173 million under Basel I against regulatory minimum of ZWL25 million and ZWL148 million using Basel II, which sets aside capital for market and operational risk. The Bank paid a dividend of ZWL5.527 million to the shareholder during the year. The Bank received capital injection of ZWL75 million from the shareholder during the year. This continued support from the shareholder is appreciated. The Bank's capital adequacy ratio closed 31 December 2019 at 19% compared with the regulatory minimum of 12%.

Hyperinflation adjusted financial performance

In line with the Public Accountants and Auditors' Board (PAAB) pronouncement on the application of IAS 29 – "Financial Reporting in Hyperinflationary Environments" for financial years ending on or after 1 July 2019, the financial statements have been restated in accordance with IAS 29.

The inflation adjusted operating income closed the year at ZWL311 million compared to an adjusted prior year amount of ZWL361 million. The inflation-adjusted loss before tax for the year was ZWL236 million compared to ZWL19.6 million profit in prior year due to an increase in inflation adjusted operating expenses and monetary loss recorded in 2019.

Core Banking System Upgrade.

The Bank successfully implemented an ICT Core banking system upgrade and went live on 4 November 2019. This transformed our core banking system from R10 version to R18, which is the latest version. The improved version will offer new products and new channel offerings. The second phase of the upgrade will commence during the second quarter of 2020 and is scheduled for completion by December 2020. The second phase of the project involves implementation of additional modules. Digital transformation and investment in ICT capabilities will remain key enablers of our business going forward.

Non-Performing Loans

The Bank has made significant progress in strengthening credit assessment processes as well as debt recovery. This has resulted in the improvement of the NPL ratio from 9% in December 2018 to 3.70% as at end of December 2019. The Bank will continue implementing measures for enhanced credit granting systems as well as sustained debt recovery initiatives.

Business growth strategies

The Bank is expanding support to agriculture and proactively participating in Smart Agriculture Financing and exploring innovative financing mechanisms for comprehensive agriculture support. The Bank is currently managing several agriculture facilities, which are aimed at increasing agriculture production. Under the Smart Agriculture Programme, the Bank is funding seed and fertilizer manufacturers to capacitate them to provide timely and affordable inputs. The Bank is focused on agriculture financing and development. The target is to expand sustainable financing as well as innovations to smallholder farmers so as to facilitate all their farming transactions.

The Bank will continue with deposit mobilization initiatives as well as cost containment in order to sustain and grow the business. These strategies continue to yield benefits for the Bank, contributing to the Bank's profitability. The Bank will continue to expand financial inclusion initiatives through low cost products targeting the unbanked and the marginalized.

The Bank has over the years achieved significant growth in low cost products such as the Agriplus card as well as micro finance products. The Bank's outreach to the rural clients continued to grow since 2017. The Bank has made a significant impact to the rural areas through the microfinance division where 64% of the customers are from rural areas.

The Bank will continue to focus on ICT based e-channels platforms, which is a key business growth area. Over the past two years, the Bank has recorded exponential growth in e-channels volumes resulting in increased non-funded income and profitability.

Agro Bills

The Bank in conjunction with FBC raised agro bills to the tune of ZWL40 million for the 2019/2020 agricultural season. The issue was fully subscribed given the clean repayment record over the years. The Bank will continue raising agro bills and will target raising more resources to expand financial support to agriculture.

Lines of credit

The Bank is managing the Pedstock facility for Center Pivots, the Belarus and John Deere facilities for tractors and other agriculture equipment. The Bank rolled out the ZWL6 million livestock facility in support of the Livestock and Dairy farming programs. It is the Bank's strategy to manage more of the livestock facility.

Human capital and Industrial relations

The Bank considers staff as its greatest asset and critical for sustaining business growth and profitability. The business environment remains challenging and staff welfare issues have assumed central importance.

The Bank has implemented several interventions to ameliorate staff welfare, against the background of escalating prices, to cushion staff in the current circumstances.

The Bank is sustaining training and skills development initiatives at all levels. Training in customer service and product knowledge will continue to be prioritized in order to improve service delivery. The culture change programme is ongoing focused on Team building and creating a cohesive service oriented team, across all levels. The Bank has maintained good relations with staff during the year and this will be sustained going forward.

Regulatory Compliance

During the year, the Bank paid attention to compliance with Anti-Monetary Laundering/Combating the Financing of Terrorism (AML/CFT) and regulatory requirements. Compliance monitoring continues to play an important role to assess the adequacy of the controls in place. Bank wide training on regulatory and AML/ CFT issues continued to raise awareness of the Bank compliance obligations. Automation of compliance systems is key in the fight against Money Laundering and Terrorist financing and the Bank is also on course to implement the AML/ CFT module in the second phase of the core banking system upgrade scheduled for the year 2020. The implementation of the AML/ CFT module has been given priority by the Bank.

Strategic Partner

The Government in April 2018 resolved for Agribank to look for Strategic Partner. This is necessary for further capitalization of Agribank to enable the Bank to access long-term capital and lines of credit for expanded support to agriculture and other productive sectors.

The Transaction Advisors, Ernst and Young Chartered Accountants carried out a due diligence exercise of the Bank during the year and due diligence reports are pending presentation to the Government's Privatisation technical committee. The due diligence exercise was critical to pave way for the recruitment of a strategic partner.

The benefits of a strategic partner are that the Bank will be adequately capitalized to raise long term financing for agricultural infrastructure and development as well as access to international lines of credit.

Capitalisation

In the 2020 budget, the shareholder set aside ZWL64 million for capitalisation of the Bank. The Reserve Bank of Zimbabwe reviewed upwards the minimum capital threshold for Tier 1 Banks to the equivalent of US30 million by 31 December 2020 to ensure continued stability and soundness of the financial services sector. Agribank's preferred segment is to be a Tier 1 bank. There are various options available to the Bank that will enable it to achieve the Tier 1 capital requirement by 31 December 2020. These include and are not limited to additional capital injection from the shareholder, organic growth through ploughing back profits and dividends and privatization through equity uptake by a potential Strategic Partner. As at 31 December 2019, the bank's tier 1 capital was ZWL 173 million

Outlook

The Bank is cognizant of the current volatile environment, characterised by escalation in costs driven by rising inflation and depreciating exchange rate, among many other challenges. However, beyond the near term the prospects for the Bank remain positive. The Bank remains on a solid growth path and it is envisaged that the Strategic Partner will bring on board new equity capital and access to long-term lines of credit.

Enhancing agriculture production and productivity is critical for underpinning agriculture recovery for food security and nutrition and new investment in agriculture is anticipated both public and private sector investment. Agriculture financing will continue to be the Bank's focus, in addition to expanding financial inclusion initiatives. Further, the bank is excited to be part of the Government initiated programmes that include but not limited to John Deere, Belarus and Pedstock. We believe these will, when managed professionally, turn around the fortunes of agriculture in Zimbabwe.

Appreciation

I want to thank the Shareholders and the Board for their continued support. Management and staff have demonstrated resilience under difficult times and I appreciate their contribution towards the success of the Bank. Last and most importantly, I want to appreciate our "All Weather" customers whose patronage has continued to underpin our business growth and profitability. I am confident that we will continue to work in unison to deliver value to our customers and shareholders.

Mr. E. Chimbera
Acting Chief Executive Officer
28 April 2020

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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CORPORATE GOVERNANCE

Responsibility
The Board is mandated by the Zimbabwe to maintain adequate accounting records and to prepare financial statements that present fairly, in all material respects the state of affairs of the Bank at the end of each financial year. The information contained in these financial statements has been prepared on the going concern basis and is in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations, applicable to companies reporting under IFRS and in the manner required by the Zimbabwe Banking Act (Chapter 24:20) and relevant statutory instruments SI33/99 and SI62/96.

Corporate Governance
The Bank adheres to principles of corporate governance derived from the King III Report, RBZ corporate governance guidelines and national code on corporate governance guidelines. The Bank is cognisant of its duty to conduct business with due care and good faith in order to safeguard all stakeholders' interests.

Board of Directors
The Board of Directors (the ''Board") is accountable for the functions of the Bank and serves to ensure leadership, integrity and shrewd judgement in directing the Bank to achieve its objectives. Board decisions are made in board meetings, which are held at least every quarter, and on an "as per need" basis. The Board oversees compliance with corporate governance. Roles and functions of the Board are spelt out in the Board Charter, and these are fully compliant to the minimum regulatory requirements. Board committees were set up to assist the Board in the effective discharge of its duties and these include the Audit, Loans Review, Risk and Compliance, Assets and Liabilities, Loans and Advances and Human Resources Committees. Chairpersons for all these Board Committees are independent, non-executive directors.

There are departments that effectively deal with Audit, Risk and Compliance issues. Directors declare their interests upon appointment and at every Board meeting. Directors are also required to declare interests prior to participating in any decision making process.

Statement of compliance
The Bank complied with all statutes regulating financial institutions as well as good corporate governance principles.

Board and Director Evaluation process
The annual board and director evaluations process is carried out as prescribed in the Reserve Bank of Zimbabwe Guideline No. 01-2004 BSD. The performance and that of individual directors are evaluated by the Board. Weaknesses and areas of concern identified through the process are discussed in board meetings with a view to rectify identified weaknesses.

By order of the Board,

Mr. L. Rwazemba
Company Secretary
28 April 2020

	Main Board		Audit Committee		Loans Review Committee		Compliance and Risk Committee		Assets and Liabilities Committee		Loans and Advances Committee		Human Resources Committee	
Mr. G.T Matemachani (Chairman)*	2	2												
Mr. B . Ngara (Vice Chairman)*	2	1	1	1			1	1					2	2
Ms. M.A. Washaya*	2	2					1	1			1	1	2	2
Ms. P. Mandaza*	2	2	1	1					N	N				
Dr J. Mutambara*	2	2									1	1	2	2
Ms. C.M. Maveneka*	2	2	1	1	N	N			N	N				
Mrs S. Mrewa*	2	2			N	N								
Mr.A.F Hodges*	N	N							N	N				
Mr. C.C. Sibanda*	N	N			N	N								
Mr. S.M.T. Mabala**	5	2					3	2	3	2	5	4		
Mr. F. Macheka	5	5					3	3			5	3		
Mr. E. Chimbera***	5	5					3	3	3	3	5	5		
Mr. E. Nherera****	3	3	3	3					3	3	5	5	4	4
Mrs. D. Tomana****	3	3	3	2	3	3	2	2					4	4
Mrs. V. Mutiro****	3	3	3	2			2	2	3	1	5	5		
Mr. F. Ngorora****	3	1	3	2	3	3			3	3				
Mr. P. Mudzamiri****	3	3			3	2	2	2	3	3				

KEY: Meetings Planned (green); Meetings Attended (yellow)

* - Appointed 29 October 2019
** - Retired with effect from 31 January 2020
*** - Appointed Acting Chief Executive Officer with effect from 1 February 2020
**** - Retired 7 October 2019

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AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED DECEMBER 2019

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		INFLATION ADJUSTED		HISTORICAL COST*	
	Note	2019 ZWL '000	2018 ZWL '000	2019 ZWL '000	2018 ZWL '000
ASSETS					
Cash and bank balances	6	361 221	226 368	361 221	36 443
Financial assets at amortized cost	7.1	78 809	589 457	78 809	94 897
Financial assets at fair value through profit and loss	7.6	405 962	879	405 962	142
Loans and advances	8	268 449	845 413	268 449	136 104
Other assets	9	41 839	33 577	34 442	5 406
Investment properties	10	15 951	-	15 951	-
Property and equipment	11	364 332	223 152	315 085	25 599
Intangible assets	12	81 080	38 195	29 055	5 855
Right-of-use assets	13	10 933	-	1 939	-
Deferred tax asset	21.2	32 721	164	10 956	1 954
Total assets		**1 661 297**	**1 957 205**	**1 521 869**	**306 400**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	104 265	104 265	12 108	12 108
Shareholder capital contribution awaiting allotment	15	215 642	100 249	88 035	13 035
Share premium		586 314	586 314	68 087	68 087
Revaluation reserve		104 425	-	225 669	7 654
Non-distributable reserve		25 611	25 611	2 974	2 974
Accumulated (losses)/profit		(577 439)	(300 372)	2 668	(24 929)
Total equity attributable to ordinary shareholders		**458 818**	**516 067**	**399 541**	**78 929**
Deposits due to other banks	16	7 298	52 041	7 298	8 378
Deposits from customers	17	566 906	1 075 782	566 906	173 192
Lease Liability	13	2 009	-	2 009	-
Other liabilities	18	16 820	48 427	16 820	7 796
Deferred income	19	40 393	24 116	7 198	3 883
Lines of credit	20	434 871	203 386	434 871	32 743
Deferred tax liability	21.2	134 182	37 386	87 226	1 479
Total liabilities		**1 202 479**	**1 441 138**	**1 122 328**	**227 471**
Total equity and liabilities		**1 661 297**	**1 957 205**	**1 521 869**	**306 400**

Mr. G. Matemachani
Chairman
28 April 2020

Mr.E. Chimbera
Acting Chief Executive Officer
28 April 2020

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		INFLATION ADJUSTED		HISTORICAL COST*	
	Note	2019 ZWL '000	2018 ZWL '000	2019 ZWL '000	2018 ZWL '00
Interest and similar income	22	127 908	294 540	47 026	37 062
Interest expense and similar charges	23	(36 676)	(66 061)	(15 345)	(8 702)
Net interest income		**91 232**	**228 479**	**31 681**	**28 360**
Fee and commission income	24	128 771	119 612	54 988	14 831
Other operating income	25	83 097	12 931	49 414	1 586
Fair value gain investment properties	10	11 858	-	11 858	-
Fair value gain investment in unquoted equities	7.6	1 553	-	2 290	-
Unrealised exchange losses financial assets	7.1	(5 415)	-	(5 415)	-
Operating income		**311 096**	**361 022**	**144 816**	**44 777**
Impairment of loans and advances	8.4	(14 732)	(34 870)	(9 229)	(4 387)
Operating expenses	26	(212 130)	(225 845)	(87 625)	(27 880)
Net monetary adjustment		(320 116)	(119 908)	-	-
(Loss)/profit before tax		**(235 882)**	**(19 601)**	**47 962**	**12 510**
Income tax (charge)/ credit	21.1	(33 618)	(21 089)	(14 838)	371
(Loss)/profit for the year		**(269 500)**	**(40 690)**	**33 124**	**12 881**
Other comprehensive income					
Surplus on revaluation of property and equipment		135 406	-	279 921	-
Deferred tax on revaluation surplus		(30 621)	-	(61 906)	-
Revaluation surplus, net of tax		**104 425**	-	**218 015**	-
Other comprehensive income for the year		**104 425**	-	**218 015**	-
Total comprehensive (loss)/income for the year		**(165 075)**	**(40 690)**	**251 139**	**12 881**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

INFLATION ADJUSTED

	Share capital ZWL'000	Shareholder capital contribution awaiting allotment ZWL'000	Share premium ZWL'000	Revaluation reserve ZWL'000	Non-distributable reserve ZWL'000	Accumulated losses ZWL'000	Total ZWL'000
Carrying amount as at 1 January 2018	**103 300**	**587 279**	**-**	**65 910**	**9 939**	**(271 503)**	**494 925**
Total comprehensive income for the period	-	-	-	-	-	(40 690)	**(40 690)**
Transactions with owners:							
Transfer of interest on CTBs to non-distributable reserves	-	-	-	-	15 672	(15 672)	-
Transfer to shareholder capital contribution	-	26 135	-	-	-	(26 135)	-
Allotment of shares	965	(587 279)	586 314	-	-	-	-
Capital contribution	-	74 114	-	-	-	-	**74 114**
Recognition of expected credit losses under IFRS 9 (including loans and advances)	-	-	-	-	-	**(18 792)**	**(18 792)**
Taxation effect of the adoption of IFRS 9 on 1 January 2018 2	-	-	-	-	-	4 839	**4 839**
Dividend declared	-	-	-	-	-	1 671	**1 671**
Balances as at 31 December 2018	**104 265**	**100 249**	**586 314**	**65 910**	**25 611**	**(366 281)**	**516 067**
Elimination of Revaluation	-	-	-	(65 910)	-	65 910	-
Balances as at 1 January 2019	**104 265**	**100 249**	**586 314**	**-**	**25 611**	**(300 372)**	**516 067**
Total comprehensive income for the period	-	-	-	-	-	(269 500)	**(269 500)**
Transactions with owners:							
Revaluation of land and building net of tax	-	-	-	104 425	-	-	**104 425**
Capital contribution	-	115 393	-	-	-	-	**115 393**
Dividend declared	-	-	-	-	-	(7 567)	**(7 567)**
Carrying amount as at 31 December 2019	**104 265**	**215 642**	**586 314**	**104 425**	**25 611**	**(577 439)**	**458 818**

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

HISTORICAL COST*

	Share capital ZWL'000	Shareholder capital contribution awaiting allotment ZWL'000	Share premium ZWL'000	Revaluation reserve ZWL'000	Non-distributable reserve ZWL'000	Accumulated losses ZWL'000	Total ZWL'000
Carrying amount as at 1 January 2018	**11 996**	**68 199**	**-**	**7 654**	**1 154**	**(32 955)**	**56 048**
Total comprehensive income for the period	-	-	-	-	-	12 881	**12 881**
Transactions with owners:							
Transfer of interest on capitalisation treasury bills to non-distributable reserve	-	-	-	-	1 820	(1 820)	-
Allotment of shares	112	(68 199)	68 087	-	-	-	-
Capital contribution	-	10 000	-	-	-	-	**10 000**
Transfer to Shareholder Capital contribution	-	3 035	-	-	-	-	**3 035**
Dividend declared	-	-	-	-	-	(3 035)	**(3 035)**
Balances as at 31 December 2018	**12 108**	**13 035**	**68 087**	**7 654**	**2 974**	**(24 929)**	**78 929**
Total comprehensive income for the period	-	-	-	-	-	33 124	**33 124**
Revaluation of land and building net of tax							
Transactions with owners:	-	-	-	**218 015**	-	-	**218 015**
Capital contribution	-	75 000	-	-	-	-	75 000
Dividend paid	-	-	-	-	-	(5 527)	**(5 527)**
Carrying amount	**12 108**	**88 035**	**68 087**	**225 669**	**2 974**	**2 668**	**399 541**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		INFLATION ADJUSTED		HISTORICAL COST*	
	Note	2019 ZWL '000	2018 ZWL '000	2019 ZWL '000	2018 ZWL '00
(Loss)/ profit before income tax		(235 882)	(19 601)	47 960	12 510
Adjusted for non-cash items:					
Expected credit losses		14 732	34 870	9 229	4 387
Bad debts written off	26	-	757	-	113
Depreciation of property and equipment	11	19 188	16 811	2 927	2 018
Depreciation of right of use assets	13	927	-	175	-
Amortization charge	12	6 100	2 943	513	353
Net monetary adjustment		320 116	119 908	-	-
Unrealised exchange losses forward exchange contract	7.1	5 415	-	5 415	-
Unrealised gains on foreign currency position		-	300	-	34
Deferred management fees movement		336	1 477	336	275
Deferred income movement		(6 714)	-	(1 271)	-
Provision for bonus, leave pay and long service awards		8 794	-	3 121	-
Fair value gain investment in unquoted equities	7.6	(1 553)	-	(2 290)	-
Fair value gain – investment properties	10	(11 858)	-	(11 858)	-
(Profit)/ loss on disposal of property and equipment	25,26	(118)	182	(232)	37
Interest expense on lines of credit	20	3 059	12 951	3 059	1 504
Interest income on treasury bills, bonds and debentures	22	(14 005)	(38 818)	(4 289)	(4 508)
Operating cash flows before working capital changes		**108 537**	**131 780**	**52 795**	**16 723**
Changes in operating assets and liabilities:					
(Increase)/ decrease in financial assets		(276 991)	165 081	20 380	(7 502)
Decrease/ (increase) in loans and advances to customers		862 064	(128 626)	(141 575)	(53 228)
Decrease /(increase) in other assets		(8 261)	3 322	(29 033)	(1 121)
(Decrease)/ increase in deposits due to other banks		(44 742)	(15 785)	(1 080)	502
(Decrease)/increase in deposits from customers		(508 876)	(404 073)	393 714	1 340
(Decrease)/increase in other liabilities		(40 402)	9 617	5 902	3 289
Increase in deferred income		22 987	3 365	4 585	1 473
Net cash (used in)/generated from operations		**114 316**	**(235 318)**	**305 688**	**(38 524)**
Cash flows from investing activities					
Proceeds from disposal of property and equipment		233	253	233	28
Purchases of property and equipment	11	(24 743)	(15 747)	(13 109)	(2 388)
Purchases of intangible assets	12	(48 985)	(23 870)	(23 713)	(3 592)
Purchases of investment properties	10	(3 477)	-	(3 477)	-
Net cash utilized in investing activities		**(76 972)**	**(39 364)**	**(40 066)**	**(5 952)**

		INFLATION ADJUSTED		HISTORICAL COST*	
	Note	2019 ZWL '000	2018 ZWL '000	2019 ZWL '000	2018 ZWL '00
Cash flows from financing activities					
Proceeds from lines of credit	20	-	62 115	-	10 000
Proceeds from shareholder capital injection		115 393	74 114	75 000	10 000
Payment of lines of credit	20	(10 000)	(15 162)	(10 000)	(2 441)
Interest expense of lease liability	13	(105)	-	(105)	-
Interest paid on lines of credit	20	(212)	(4 267)	(212)	(687)
Dividend paid		(7 567)	-	(5 527)	-
Net cash (utilized in) generated from financing activities		**97 509**	**116 800**	**59 156**	**16 872**
Net (decrease)/increase in cash and cash equivalents		**134 853**	**(157 882)**	**324 778**	**(27 604)**
Cash and cash equivalents at the beginning of year	6	226 368	384 250	36 443	64 047
Cash and cash equivalents at 31 December		**361 221**	**226 368**	**361 221**	**36 443**

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

1 CORPORATE INFORMATION

Agricultural Bank of Zimbabwe Limited (the "Bank"), a limited liability company incorporated and domiciled in Zimbabwe, is registered as a commercial bank by the Reserve Bank of Zimbabwe under the Zimbabwe Banking Act (Chapter 24:20) and Companies Act (Chapter 24:03) and providesa wide range of commercial banking and related financial services in Zimbabwe.

The financial statements have been prepared under the supervision of Mr. Temba Ruvingo CA (Z), the Acting Executive Director- Finance of the Bank.

The address of its registered office is 14-16 Nelson Mandela Avenue, Harare.

2 STATEMENT OF COMPLIANCE

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

2.1 Compliance with legislation

While full compliance with the International Financial Reporting Standards (IFRS) was achieved in previous reporting periods, only partial compliance was achieved for the year ended 31 December 2019 as a result of non-compliance with International Accounting Standard 21 – The Effects of changes in foreign exchange rates (IAS 21). The financial statements have been prepared in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and relevant statutory instruments SI33 of 1999,SI62 of 1996 and SI33 of 2019.

2.2 Basis of preparation and measurement

The financial statements have been prepared with policies consistent with International Financial Reporting

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AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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

Standards (IFRSs), promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB, the International Financial Reporting Interpretations Committee (IFRIC) interpretations, and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and relevant statutory instruments SI33 of 1999,SI62 of 1996 and SI33 of 2019.

2.3 Functional and presentation currency

Functional and presentation currency items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in "ZWL" which is the Bank's functional and presentation currency.

2019 financial year assessment

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future affected period.

3.2 Changes in accounting policies and disclosures

In the preparation of these financial statements, the Bank has for the first time applied IFRS 16 Leases ("IFRS 16"), effective for annual periods beginning on or after 1 January 2019 and IAS 29 Financial Reporting in Hyperinflationary Economies. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.2.1 IFRS 16 Leases

The Bank has applied IFRS 16 with effect from 1 January 2019 by using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. IFRS 16 requires the recognition of right of use assets and future lease payment liabilities where the Bank is a lessee under a lease term that exceeds 12 months.

Impact on financial statements

Upon transition to IFRS 16, the Bank recognised right-of-use assets and a corresponding lease liability amounting to ZWL2.1 million.

3.2.2 IAS 29 Financial Reporting in Hyperinflationary Economies

In the current period the Bank adopted IAS 29 Financial Reporting in Hyperinflationary Economies, following the Bank making a significant judgement that the factors and characteristics to apply the Standard in Zimbabwe have been met.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date, and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Statistical Office (Zimstats). The conversion factors used to restate the financial statements as at 31 December 2019 are as the base year are as follows:

Dates	Indices	Conversion
December 2019	551.6	1.0000
December 2018	88.81	6.2115
October 2018	74.59	7.3948

The indices and conversion factors have been applied to the historical cost transactions and balances as follows:

Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the balance sheet date.

Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant monthly conversion factor. Non-monetary assets and liabilities that are carried at amounts current at the balance sheet date that is at fair value are not restated.

Inventories: these are carried at the lower of indexed cost and net realisable value.

Deferred tax: this is provided in respect of temporary differences arising from the restatement of assets and liabilities.

Cash flow items are expressed in terms of the measuring unit current at the reporting date.

All items in the statement of profit or loss are restated by applying the relevant monthly, yearly average or year-end conversion factors. The effect of inflation on the net monetary position of the Bank is included in the statement of profit and loss as a monetary loss adjustment.

Opening balances have been restated by applying the relevant monthly and yearly conversion factors. The Bank applied IAS 29 from 1 October 2018. Non monetary assets and all items in the statement of profit and loss were restated from 1 October 2018 while monetary assets were restated from 31 December 2018.

The historical cost financial statements have been provided as supplementary information and as a result the auditors have not expressed an opinion on them.

4 RISK MANAGEMENT

4.1 Financial risk management

4.1.1 Financial risk factors

The Bank's business involves taking on risks in a targeted manner and managing them professionally. Taking risk is core to the financial services business and the operational risks are an inevitable consequence of being in business.

The Bank's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Risk and Compliance Committee, under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk and non-derivative financial instruments.

The Board has overall responsibility for determining the type and level of business risks that the Bank assumes are essential in achieving corporate objectives. The Board has delegated part of its risk management responsibility to its various sub-committees namely, Audit Committee, Risk and Compliance Committee, Loans and Advances Committee, Loans Review Committee, Assets and Liabilities Committee and the Human Resources Committee. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The Bank's risk management strategic objectives are principally to protect the financial strength and reputation of the Bank.

4.1.1.1 Credit risk

Definition

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Bank's credit committee is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to
- the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

The Loans and Advances Committee manages the overall lending policy of the Bank. The Loans Review Committee reviews the quality of the Bank's loan portfolio to ensure that it conforms to sound lending policies.

The Bank's internal rating and PD estimation process

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. These information sources are first used to determine the PDs within the Bank's Basel II framework. The internal credit grades are assigned based on these Basel II grades. For some portfolios, information from external credit rating agencies is also used.

PDs are then adjusted for IFRS 9 calculations to incorporate forward looking information and the IFRS 9 stage classification of the exposure. This is repeated for each economic scenario as appropriate.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the

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

identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Bank's Credit Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Corporate and small business lending

For corporate loans are assessed using credit scoring model that takes into account various historical, current and forward looking information such as:

- Historical information together with forecasts and budgets prepared by the client including relevant ratios to measure the client's financial performance. Some of these indicators are already included in covenants with clients and are, therefore, measured with greater attention;
- Any publicly available information on the clients from external parties. This includes external rating grades issued by external parties, independent analysts' reports, press release or articles;
- Any macroeconomic or geographical information e.g. GDP growth relevant for the specific industry and geographical segments where the client operates; and
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer.

Consumer lending
This comprises unsecured loans whose products are less complex and additionally rated by an automated scorecard tool primarily driven by days past due. Key inputs into the models are:

- Use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income / salary levels based on records of current accounts, personal indebtedness and expected interest re-pricing.

Treasury, trading and interbank relationships
The Bank manages these relationships by analysing publicly available information such as financial information and other external data, such as the rating of rating agencies and assigns the internal rating.

Exposure at default (EAD)
The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for stage 1, the Bank assesses the possible default events within 12 months for the calculation of 12mECL. For stage 2, stage 3 and POCI financial assets. The exposure at default is considered for events over the life time of the instruments.
The Bank determines the EADs by modelling the range of possible exposure at various points in time, corresponding with the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank's models.

Loss given default (LGD)
For corporate banking financial instruments, LGD values are assessed by account managers and reviewed by a specialised risk committee. The credit risk assessment is based on standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, collateral type) as well as borrower characteristics.

Further recent data and forward looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing the forward looking information, the expectation is based on multiple scenarios. Under IFRS 9, LGD rates are estimated for the stage 1, stage 2, stage 3 and POCI, IFRS 9 segment of each asset class. The inputs for these LGDs are estimated and repeated for each economic scenario as appropriate.

Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due or, for microfinance, more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.
The Bank monitors the effectiveness of the criteria used to idenify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Using its credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Grouping based on shared risk characteristics.
Dependent on the factors listed below, the Bank calculates ECLs either on a collective or an individual basis.

Assets classes where the Bank calculates ECL on an individual basis include:

- All stage 3 assets, regardless of the class of the financial assets;
- The corporate lending portfolio;
- The large and unique exposures of the retail business lending portfolio; and
- The treasury, trading and interbank relationships.

Assets classes where the Bank calculates ECL on collective basis include:

- Stage 1 and stage 2 retail and consumer loans; and
- The smaller and more generic balances on the retail business-lending portfolio.

The Bank groups these exposures into smaller homogenous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail loans these are:

- Product type;
- Geographic location;
- Sector;
- Internal grade; and
- Exposure value.

Identification techniques
Prior to granting facilities, the Bank conducts an assessment through a credit scoring system which classifies an account depending on points scored. Thereafter facilities extended to clients are reviewed on a regular basis and reclassified accordingly depending on actual performance.

Maximum exposure to credit risk before collateral held or other credit enhancements.
The table below shows the maximum exposure to credit risk of on-statement of financial position and off-statement of financial position financial instruments, before taking into account any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount before deducting impairments for financial guarantees granted. The maximum exposure to credit risk for financial guarantees, is the maximum amount that the Bank would have to pay if guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full committed facilities.

Maximum credit risk exposure relating to on-statement of financial position assets are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	**2018 ZWL'000**	**2019 ZWL'000**	**2018 ZWL'000**
Cash and bank balances	302 201	215 661	302 201	34 719
Amounts due from other banks	59 020	10 707	59 020	1 724
Financial assets at amortized cost	78 809	589 457	78 809	94 897
Financial assets at fair value through profit or loss	405 962	879	405 962	142
Loans and advances to customers- gross	286 939	914 963	286 939	147 301
Other financial assets	19 428	33 577	19 428	4 418
Maximum credit risk exposure	**1 152 359**	**1 765 244**	**1 152 359**	**283 201**

Measurement methods
The risk is measured through assessing the risk of default using a credit risk-rating matrix. The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The table below shows the credit quality and maximum exposure for credit risk for the purpose of measuring expected credit losses (ECL) under IFRS 9

					I NFLATION ADJUSTED	HISTORICAL COST
	Stage 1 ZWL '000	**Stage 2 ZWL '000**	**Stage 3 ZWL '000**	**2019 ZWL '000**	**2018 ZWL '000**	**2018 ZWL '000**
Loans and advances	275 991	4 592	6 356	286 939	914 963	147 301
Financial assets at amortised cost	78 809	-	-	78 809	589 457	94 897
ZAMCO buy-back portfolio*	-	-	9 045	9 045	74 706	12 027
Sundry debtors	254	-	-	254	1 217	196
Financial assets at FVPL	405 962	-	-	405 962	879	142
Commitments and guarantees*	8 499	-	-	8 499	18 591	2 993
Total	**769 515**	**4 592**	**15 401**	**789 508**	**1 599 813**	**257 556**

*ZAMCO portfolio is off statement of financial position
**Commitments and guarantees are assessed for impairment as at 31 December 2019 and, having been considered to carry a low credit risk and can be recalled at any time, no expected credit losses have been accounted for.

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

Analysis of loans and advances portfolio

	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	INFLATION ADJUSTED 2019 ZWL '000	INFLATION ADJUSTED 2018 ZWL '000	HISTORICAL COST 2018 ZWL '000
Corporate lending						
Performing	106 486	-	-	106 486	265 442	13 160
Special mention	-	-	-	-	4 460	718
Non-performing	-	-	564	564	-	-
Total corporate lending	106 486	-	564	107 050	269 902	4 3 452
Agriculture lending						
Performing	24 463	-	-	24 463	44 946	7 236
Special mention	-	456	-	456	5 416	872
Non-performing	-	-	832	832	6 298	1 014
Total agriculture lending	24 463	456	832	25 751	56 660	9 122
Retail lending						
Performing	45 544	-	-	45 544	108 614	17 486
Special mention	-	2 852	-	2 852	6 865	1 105
Non-performing	-	-	4 111	4 111	1 5 995	2 575
Total retail lending	45 544	2 852	4 111	52 507	131 474	21 166
Consumer lending						
Performing	99 498	-	-	99 498	419 053	67 464
Special mention	-	1 284	-	1 284	8 635	1 390
Non-performing	-	-	849	849	29 239	4 707
Total consumer lending	99 498	1 284	849	101 631	456 957	73 561
Total loans and advances	**275 991**	**4 592**	**6 356**	**286 939**	**914 963**	**147 301**

An analysis of the ECLs in relation to financial assets are as follows:

	Stage 1 ZWL'000	Stage 2 ZWL'000	Stage 3 ZWL'000	2019 ZWL'000
Loans and advances	11 458	400	607	12 465
Financial assets at amortised cost*	17	-	-	17
ZAMCO buy-back portfolio	-	-	148	148
Sundry debtors	60	-	-	59
Total	**11 534**	**400**	**755**	**12 689**

*Financial assets (including Treasury bills) assessed for impairment at 31 December 2019 and, having been considered to carry a low credit risk, hence reflected by a low credit loss figure. There was no objective evidence that future cash flows on the financial assets could end up being less than those anticipated at the point of Initial recognition.

Analysis of loans and advance portfolio

	Stage 1 ZWL '000	Stage 2 ZWL '000	Stage 3 ZWL '000	Total ZW L'000
Corporate lending				
Performing	784	-	-	784
Special mention	-	-	-	-
Non-performing	-	-	11	11
Total corporate lending	**784**	**-**	**11**	**795**
Agriculture				
Performing	5 391	-	-	5 391
Special mention	-	40	-	40
Non-performing	-	-	73	73
Total agriculture lending	**5 391**	**40**	**73**	**5 504**
Retail and SMEs lending				
Performing	3 164	-	-	3 164
Special mention	-	333	-	333
Non-performing	-	-	510	510
Total corporate lending	**3 164**	**333**	**510**	**4 007**

Stage 1	Stage 2 ZWL '000	Stage 3 ZWL '000	Total ZWL '000	ZW L'000
Consumer lending				
Performing	2 119	-	-	2 119
Special mention	-	27	-	27
Non-performing	-	-	13	13
Total agriculture lending	**2 119**	**27**	**13**	**2 159**
Total	**11 458**	**400**	**607**	**12 465**

The financial effect of collateral as at 31 December is presented below together with a summary of credit exposures on loans and advances:

Credit quality of financial assets

	Neither past due nor loans ZWL'000	Past due but not impaired loans ZWL'000	Individually impaired loans ZWL'000	Total past due ZWL'000	Total exposure ZWL'000	Collateral held ZWL'000	Expected credit losses ZWL'000
Inflation adjusted as at 31 December 2019							
Cash and bank balances	302 201	-	-	-	302 201	-	-
Amounts due from other banks	59 020	-	-	-	59 020	-	-
Financial assets at amortised cost	78 809	-	-	-	78 809	-	17
Financial assets at FVPL	405 962	-	-	-	405 962	-	-
Other financial assets	19 436	-	-	-	19 436	-	59
ZAMCO buy-back portfolio	-	-	9 045	-	9 045	-	148
Loans and advances	275 991	4 592	6 356	10 948	286 939	52 774	12 465
Corporate	106 486	-	564	564	107 051	44 316	795
Agriculture	24 463	456	832	1 288	25 751	5 142	5 504
Retail	45 544	2 852	4 111	6 963	52 506	3 125	4 007
Consumer	99 498	1 284	849	2 133	101 631	191	2 159
Total	**1 141 419**	**4 592**	**15 401**	**10 948**	**1 161 412**	**52 774**	**12 689**

	Neither past due nor loans ZWL'000	Past due but not impaired loans ZWL'000	Individually impaired loans ZWL'000	Total past due ZWL'000	Total exposure ZWL'000	Collateral held ZWL'000	Expected credit losses ZWL'000
Historical Cost as at 31 December 2019							
Cash and bank balances	302 201	-	-	-	302 201	-	-
Amounts due from other banks	59 020	-	-	-	59 020	-	-
Financial assets at amortised cost	78 809	-	-	-	78 809	-	17
Financial assets at FVPL	405 962	-	-	-	405 962	-	-
Other financial assets	19 436	-	-	-	19 436	-	59
ZAMCO buy-back portfolio	-	-	9 045	-	9 045	-	148
Loans and advances	275 991	4 592	6 356	10 948	286 939	52 774	12 465
Corporate	106 486	-	564	564	107 051	44 316	795
Agriculture	24 463	456	832	1 288	25 751	5 142	5 504
Retail	45 544	2 852	4 111	6 963	52 506	3 125	4 007
Consumer	99 498	1 284	849	2 133	101 631	191	2 159
Total	**1 141 419**	**4 592**	**15 401**	**10 948**	**1 161 412**	**52 774**	**12 689**

	Neither past due nor loans ZWL'000	Past due but not impaired loans ZWL'000	Individually impaired loans ZWL'000	Total past due ZWL'000	Total exposure ZWL'000	Collateral held ZWL'000	Expected credit losses ZWL'000
Inflation adjusted as at 31 December 2018							
Cash and bank balances	215 661	-	-	-	215 661	-	-
Amounts due from other banks	10 707	-	-	-	10 707	-	-
Financial assets at amortised cost	589 457	-	-	-	589 457	-	6
Financial assets at FVPL	879	-	-	-	879	-	-
Other financial assets	33 577	-	-	-	33 577	-	258
ZAMCO buy-back portfolio	-	-	-	-	-	-	4 330
Loans and advances	818 508	30 157	66 298	96 455	914 963	328 249	45 139
Corporate	289 439	9 694	1 475	4 553	300 608	275 712	708
Agriculture	69 340	9 439	11 219	22 261	70 922	31 940	1 018
Retail	185 282	5 058	20 076	27 084	159 442	19 411	8 753
Consumer	274 447	5 966	33 528	42 557	383 991	1 186	34 660
Total	**1 668 789**	**30 157**	**66 298**	**96 455**	**1 861 699**	**328 249**	**49 733**

AGRIBANK
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AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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

	Neither past due nor loans ZWL'000	Past due but not impaired loans ZWL'000	Individually impaired loans ZWL'000	Total past due ZWL'000	Total exposure ZWL'000	Collateral held ZWL'000	Expected credit losses ZWL'000
Historical as at 31 December 2018							
Cash and bank balances	34 719	-	-	-	34 719	-	-
Amounts due from other banks	1 724	-	-	-	1 724	-	-
Financial assets at amortised cost	94 897	-	-	-	94 897	-	1
Financial assets at FVPL	142	-	-	-	142	-	-
Other financial assets	4 418	-	-	-	4 418	-	46
ZAMCO buy-back portfolio	-	-	-	-	12 027	-	772
Loans and advances	134 920	4 085	8 296	1 2381	147 301	697 538	7 188
Corporate	42 734	718	1 014	718	43 452	94 845	94
Agriculture	7 236	872	2 575	1 886	9 122	5 355	1 340
Retail	17 486	1 105	4 707	3 680	21 166	596 641	1 160
Consumer	67 464	1 390	-	6 097	73 561	697	4 594
Total	**270 820**	**4 085**	**8 296**	**12 381**	**295 228**	**697 538**	**8 007**

Credit quality of neither past due nor impaired financial assets

	Credit rating	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'000
Cash and bank balances		302 201	215 661	302 201	34 719
Amounts due from other banks		59 020	10 707	59 020	1 724
Financial assets at amortised cost		482 339	589 457	482 339	94 897
Financial assets at fair value through profit & loss		2 432	879	2 432	142
Loans and advances to customers	A	286 939	845 413	286 939	147 301
Other financial assets		19 436	33 577	19 436	4 418
Total		**1 152 367**	**1 695 694**	**1 152 367**	**283 201**

The credit rating of the above financial assets has been determined using internal rating tools. According to the rating, class A loans and advances have a reasonable to extremely high prospect of repayment and no prospects of restructuring. The ungraded financial assets listed above are not subject to internal rating tools but meet the same criteria as defined for loans and advances classified as A grade.

Financial assets that are past due or impaired

Maturity analysis of financial assets that are past due and not impaired

	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'000
Due between 1 month and 2 months	1 411	16 696	1 411	2 688
Due between 2 months and 3 months	2 009	8 677	2 009	1 397
Total	**3 420**	**25 373**	**3 420**	**4 085**
Individually impaired financial assets				
Gross individually impaired loans	6 356	51 531	6 356	8 296
- Less specific impairment	-	-	-	-
- Less expected credit losses	(607)	(12 566)	(607)	(2 023)
Net individually impaired loans	**5 749**	**38 965**	**5 749**	**6 273**

These following factors were considered in determining whether the above financial assets were individually impaired:

- Significant financial difficulty of the issuer or obligor;
- Granting of concession by the Bank that it would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;
- A breach of contract, such as a default or delinquency in interest or principal payments; and/or
- It becoming probable that the borrower will enter bankruptcy or other financial re-organisation. The collateral held on these loans is described below.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice.

(a) Collateral

The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The principal collateral types for loans and advances are:

(i) Cash collateral;
(ii) Charges over assets financed;
(iii) Mortgages over residential and commercial properties;
(iv) Charges over business assets such as premises, inventory and accounts receivable; and
(v) Charges over financial instruments such as debt securities and equities.

In addition, in order to minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. No collateral is held for other financial assets other than loans and advances.

(b) Repossessed collateral

It is the bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the bank does not use repossessed assets for business purposes. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans.

The assets are initially recognised at fair value when acquired and included in property and equipment other financial assets or other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

No collateral was re-possessed during the current year.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss of an amount equal to the total used commitments.

However, the likely amount of loss is less than the total used commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4.1.1.2 Liquidity risk

This is the risk that the Bank may fail to meet its short term financial obligations when they fall due resulting in the inability to support normal business activity, and a failure to meet liquidity related regulatory requirements. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sale of assets, or potentially the inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be effected by a range of institution-specific and market-wide events including, but not limited to mergers, acquisitions, systemic shocks and natural disasters.

Liquidity risk management

The responsibility for managing the overall liquidity risk of the Bank is delegated to the Assets and Liabilities Committee ("ALCO"), which reviews the Bank's liquidity position from time to time. ALCO recommends to the board, policies, guidelines and procedures under which the Bank manages statement of financial position growth, deposits, advances, foreign exchange activities and investments.

The Bank has a comprehensive treasury risk management policy and procedure manual and an ALCO policy designed to ensure that the Bank maintains a consistent flow of funds and that all its obligations are met at a reasonable cost. The policy covers sources of the Bank's liquidity, liquid assets, borrowing capacity, liquidity maintenance plan, liquidity monitoring plan and quantitative targets. The Bank's treasury department manages the liquidity position of the Bank on a daily basis with guidance from ALCO.

Cash flow and maturity profile analysis

The Bank uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess its ability to meet immediate liquidity requirements and plan for its medium to long term liquidity profile.

Liquidity contingency plans

In line with the Bank's liquidity policy, liquidity contingency plans are in place in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators, which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures, address both specific, and market crises. A comprehensive liquidity plan for liquidity risk management is in place. This plan details the course of action the Bank would take in the highly unlikely event of a run on the Bank.

The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the loans to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year. Loans to customers that are part of reverse repurchase arrangements, and where the bank receives securities which are deemed to be liquid, are excluded from the loans to deposit ratio. Lines of credit are excluded from loans to deposit ratio computations.

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
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Analysis of loans to deposit ratio

	2019	2018
As at 31 December	51%	77%
Maximum ratio for the year	92%	83%
Minimum ratio for the year	48%	72%
Average ratio for the year	69%	78%

Maturity analysis of assets and liabilities
The following table 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. When the amount payable is not fixed, the amount is determined by reference to the conditions existing at the reporting date.

LIQUIDITY GAP ANALYSIS
Contractual maturities of undiscounted cash flows of financial instruments

INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Total ZWL'000
As at 31 December 2019						
Assets						
Cash and bank balances	302 201	-	-	-	-	302 201
Amounts due from other banks	59 020	-	-	-	-	59 020
Financial assets at amortised cost	-	-	10 169	4 212	64 428	78 809
Financial assets at FVPL	-	-	405 962	-	-	405 962
Loans and advances	25 834	19 659	65 701	175 745	-	286 939
Other financial assets	19 436	-	-	-	-	19 436
	406 491	**19 659**	**481 832**	**179 957**	**64 428**	**1 152 367**
Liabilities						
Deposits due to other banks	7 298	-	-	-	-	7 298
Deposits from customers	432 297	45 185	76 230	13 194	-	566 906
Other financial liabilities	14 389	3 043	-	-	-	17 432
Lines of credit	-	434 871	-	-	-	434 871
	453 984	**483 099**	**76 230**	**13 194**	**-**	**1 026 507**
Liquidity gap	**(47 493)**	**(463 440)**	**405 602**	**166 763**	**64 428**	**125 860**
Cumulative liquidity gap	**(47 493)**	**(510 933)**	**(105 331)**	**61 432**	**125 860**	**125 860**

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 years ZWL'000	Total ZWL'000
As at 31 December 2019						
Cash and bank balances	302 201	-	-	-	-	302 201
Amounts due from other banks	59 020	-	-	-	-	59 020
Financial assets at amortised cost	-	-	10 169	4 212	64 428	78 809
Financial assets at FVPL	-	-	405 962	-	-	405 962
Loans and advances	25 834	19 659	65 701	175 745	-	286 939
Other financial assets	19 436	-	-	-	-	19 436
	406 491	**19 659**	**481 832**	**179 957**	**64 428**	**1 152 367**
Liabilities						
Deposits due to other banks	7 298	-	-	-	-	7 298
Deposits from customers	432 297	45 185	76 230	13 194	-	566 906
Other financial liabilities	14 389	3 043	-	-	-	17 432
Lines of credit	-	434 871	-	-	-	434 871
	453 984	**483 099**	**76 230**	**3 194**	**-**	**1 026 507**
Liquidity gap	**(47 493)**	**(463 440)**	**405 602**	**166 763**	**64 428**	**125 860**
Cumulative liquidity gap	**(47 493)**	**(510 933)**	**(105 331)**	**61 432**	**125 860**	**125 860**

INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Over 5 years ZWL'000	Total ZWL'000
As at 31 December 2018						
Assets						
Cash and bank balances	215 661	-	-	-	-	**215 661**
Amounts due from other banks	10 707	-	-	-	-	**10 707**
Financial assets at amortised cost	-	-	158 366	30 143	400 948	**589 457**
Financial assets at FVPL	-	-	879	-	-	**879**
Loans and advances	76 113	142 955	196 480	499 415	-	**914 963**
Other financial assets	33 577	-	-	-	-	**33 577**
	336 058	**142 955**	**355 725**	**529 558**	**400 948**	**1 765 244**
Liabilities						
Due to other banks	52 041	-	-	-	-	**52 041**
Deposits from customers	313 272	199 271	563 239	-	-	**1 075 782**
Other financial liabilities	20 245	5 421	-	-	-	**25 666**
Lines of credit	-	87 030	116 356	-	-	**203 386**
	385 558	**291 722**	**679 595**	**529 558**	**-**	**1 356 875**
Liquidity gap	**(49 500)**	**(148 767)**	**(323 870)**	**529 558**	**400 948**	**408 369**
Cumulative liquidity gap	**(49 500)**	**(198 267)**	**(522 137)**	**7 421**	**408 369**	**408 369**

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL$'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Total ZWL'000
As at 31 December 2018						
Assets						
Cash and bank balances	34 719	-	-	-	-	**34 719**
Amounts due from other banks	1 724	-	-	-	-	**1 724**
Financial assets at amortised cost	-	-	26 835	4 759	63 303	**94 897**
Financial assets at FVPL	-	-	142	-	-	**142**
Loans and advances	12 193	25 584	35 164	74 360	-	**147 301**
Other financial assets	4 418	-	-	-	-	**4 418**
	53 054	**25 584**	**62 141**	**79 119**	**63 303**	**283 201**
Liabilities						
Due to other banks	8 378	-	-	-	-	**8 378**
Deposits from customers	49 037	32 702	91 453	-	-	**173 192**
Other financial liabilities	2 423	1 326	-	-	-	**3 749**
Lines of credit	-	-	32 743	-	-	**32 743**
	59 838	**34 028**	**124 196**	**-**	**-**	**218 062**
Liquidity gap	**(6 784)**	**(8 444)**	**(62 055)**	**79 119**	**63 303**	**65 139**
Cumulative liquidity gap	**(6 784)**	**(15 228)**	**(77 283)**	**1 836**	**65 139**	**65 139**

The table below shows the contractual expiry by maturity of the bank's financial guarantees and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Contractual maturities of undiscounted cash flows of financial guarantees and commitments

INFLATION ADJUSTED

	1 month to 3 months ZWL'000	3 months to 1-year ZWL'000	Total ZWL'000
As at 31 December 2019			
Facility commitments approved but not drawn down	8 346	-	8 346
Financial guarantees	123	30	153
	8 469	**30**	**8 499**
As at 31 December 2018			
Facility commitments approved but not drawn down	15 349	-	**15 349**
Financial guarantees	888	2 354	**3 242**
	16 237	**2 354**	**18 591**

AGRIBANK

Your all weather bank

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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

HISTORICAL COST

	1 month to 3 months ZWL'000	3 months to 1-year ZWL'000	Total ZWL'000
As at 31 December 2019			
Facility commitments approved but not drawn down	8 346	-	8 346
Financial guarantees	123	30	153
	8 469	**30**	**8 499**
As at 31 December 2018			
Facility commitments approved but not drawn down	2 471	-	**2 471**
Financial guarantees	143	379	**522**
	2 614	**379**	**2 993**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitments disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded.

4.1.1.3 Market risk

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

Market and foreign currency exposures related to dealing positions are housed and managed in the treasury department as guided by the treasury and international banking manual.

The risk department is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified

Foreign exchange risk

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. The Bank takes an exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its statement of financial position and cash flows.

The Bank manages this risk by strict conformity to asset and liability management processes and requirements driven by the relevant management and board committees. These responsibilities include:

- Monitoring significant foreign exchange exposure; and
- Ensuring that foreign exchange transactions by the Bank comply with foreign exchange control regulations. The bank analyses all foreign currency denominated commitments on an on-going basis.

The table below summarises the Bank's exposure to foreign currency exchange risk at the reporting date:

INFLATION ADJUSTED

	USD ZWL' 000 equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
As at 31 December 2019						
Assets						
Cash and bank balances	182 424	1 807	1077	940	175 304	361 552
Financial assets at fair value through profit and loss	405 962	-	-	-	-	405 962
Liabilities						
Deposits from customers	(33 531)	(1 853)	(928)	(171)	(525 220)	(561 703)
Lines of credit	(434 871)	-	-	-	-	(434 871)
Net currency position	**148 893**	**(46)**	**149**	**769**	**(349 916)**	**(229 060)**
As at 31 December 2018						
Assets						
Cash and bank balances	191 345	301	491	417	37	**192 592**
Financial assets at fair value through profit and loss	879	-	-	-	-	**879**
Liabilities						
Deposits from customers	(1 0 73 189)	(1 397)	(25)	(491)	(50)	**(1 075 782)**
Lines of credit	(203 386)	-	-	-	-	**(203 286)**
Net currency position	**(1 051 425)**	**(888)**	**470**	**-**	**(5)**	**(1 051 848)**

HISTORICAL COST

	USD ZWL' 000 equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
As at 31 December 2019						
Assets						
Cash and bank balances	182 424	1 807	1077	940	175 304	361 552
Financial assets at fair value through profit and loss	405 962	-	-	-	-	405 962
Liabilities						
Deposits from customers	(33 531)	(1 853)	(928)	(171)	(525 220)	(561 703)
Lines of credit	(434 871)	-	-	-	-	(434 871)
Net currency position	**148 893**	**(46)**	**149**	**769**	**(349 916)**	**(200 151)**

HISTORICAL COST

	USD ZWL' 000 equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
As at 31 December 2018						
Assets						
Cash and bank balances	36 207	57	93	79	7	**36 443**
Financial assets at fair value through profit and loss	142	-	-	-	-	142
Liabilities						
Deposits from customers	(172 876)	(225)	(4)	(79)	(8)	(173 192)
Lines of credit	(32 743)	-	-	-	-	(32 743)
Net currency position	**(169 270)**	**(168)**	**89**	**-**	**(1)**	**(169 350)**

The exposure was calculated only for monetary balances denominated in currencies other than the presentation currency of the bank (ZWL). The bank's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year. The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied to the average exposure to currency risk during the year, with all other variables held constant. As is evident in the table above, the Bank is primarily exposed to the ZAR.

Sensitivity analysis

The following table presents sensitivities of profit or loss and equity to a 5% strengthening or weakening in exchange rates with all other variables held constant.

	USD ZWL' 000 Equivalent	ZAR ZWL' 000 equivalent	EUR ZWL' 000 equivalent	BWP ZWL' 000 equivalent	Other ZWL' 000 equivalent	Total ZWL' 000 equivalent
Inflation adjusted as at 31 December 2019						
Foreign and exchange gain/ (loss)	144 159	(46)	149	768	(95)	144 935
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	7 208	(2)	7	38	(5)	**7 246**
Inflation adjusted as at 31 December 2018						
Foreign and exchange gain/ (loss)	-	(28)	3	2	(11)	(34)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	-	(1)	-	-	(1)	**(2)**
Historical Cost as at 31 December 2019						
Foreign and exchange gain/ (loss)	144 159	(46)	149	768	(95)	144 935
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	7 208	(2)	7	38	(5)	**7 246**
Historical Cost as at 31 December 2019						
Foreign and exchange gain/ (loss)	-	(28)	3	2	(11)	(34)
% increase or decrease in exchange rates	5%	5%	5%	5%	5%	
Increase or decrease in profit or loss and equity	-	(1)	-	-	(1)	**(2)**

There were no off-statement of financial position exposures that were denominated in foreign currency as at 31 December 2019 (2018: US $nil).

(b) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

Interest rate risk is managed through ALCO, which ensures that there is a well-designed strategy and policy. The bank reviews the interest rate risk on a monthly basis and through ALCO optimises the risk reward trade-off by:

- Assessing and optimally structuring the profile of the Bank's statement of financial position; and
- Effectively utilising capital.

The objective of interest rate risk management is to minimise exposure of earnings and equity to loss. The following interest rate risk management measurement and monitoring methods are used by the Bank:

- Repricing gap analysis;
- Interest rate spreads; and
- Interest margin analysis.

The table below summarises the bank's exposure to interest rate risk on financial and non-financial instruments. It includes the bank's financial instruments at carrying amounts categorised by earlier of contractual repricing or maturity dates.

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
Your all weather bank

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

Interest rate repricing and gap analysis

INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
As at 31 December 2019							
Assets							
Cash and bank balances	302 201	-	-	-	-	-	302 201
Amounts due from other banks	59 020	-	-	-	-	-	59 020
Financial assets at amortised cost	-	-	10 169	4 212	64 428	-	78 809
Financial assets at FVPL	-	-	-	-	-	405 962	405 962
Loans and advances	25 834	19 659	65 701	175 745	-	-	286 939
Other financial assets	-	-	-	-	-	19 858	19 858
Total assets	387 055	19 659	75 870	179 957	64 428	425 820	1 152 789
Liabilities							
Deposits due to other banks	7 298	-	-	-	-	-	7 298
Deposits from customers	432 297	45 185	76 230	13 194	-	-	566 906
Lines of credit	-	434 871	-	-	-	-	434 871
Other financial liabilities	-	-	-	-	-	17 432	17 432
Total equity and liabilities	439 595	480 056	76 230	13 194	-	17 432	1 026 507
Interest rate repricing gap	(52 540)	(460 397)	(360)	166 763	64 428	408 388	126 282
Cumulative repricing gap	(52 540)	(512 937)	(513 297)	(346 534)	(282 106)	126 282	126 282

Interest rate repricing and gap analysis

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
As at 31 December 2019							
Assets							
Cash and bank balances	302 201	-	-	-	-	-	302 201
Amounts due from other banks	59 020	-	-	-	-	-	59 020
Financial assets at amortised cost	-	-	10 169	4 212	64 428	-	78 809
Financial assets at FVPL	-	-	-	-	-	405 962	405 962
Loans and advances	25 834	19 659	65 701	175 745	-	-	286 939
Other financial assets	-	-	-	-	-	19 858	19 858
Total assets	387 055	19 659	75 870	179 957	64 428	425 820	1 152 789
Liabilities							
Deposits due to other banks	7 298	-	-	-	-	-	7 298
Deposits from customers	432 297	45 185	76 230	13 194	-	-	566 906
Lines of credit	-	434 871	-	-	-	-	434 871
Other financial liabilities	-	-	-	-	-	17 432	17 432
Total equity and liabilities	439 595	480 056	76 230	13 194	-	17 432	1 026 507
Interest rate repricing gap	(52 540)	(460 397)	(360)	166 763	64 428	408 388	126 282
Cumulative repricing gap	(52 540)	(512 937)	(513 297)	(346 534)	(282 106)	126 282	126 282

INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
as at 31 December 2018							
Assets							
Cash and bank balances	215 661	-	-	-	-	-	215 661
Amounts due from other banks	10 707	-	-	-	-	-	10 707
Financial assets at amortised cost	-	-	158 366	30 143	400 948	-	589 457
Financial assets at FVPL	-	-	-	-	-	879	879
Loans and advances	76 113	142 955	196 480	499 415	-	-	914 963
Other financial assets	-	-	-	-	-	33 577	33 577
Total assets	302 481	142 955	354 846	529 558	400 948	34 456	1 765 244

INFLATION ADJUSTED

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
Liabilities							
Deposits due to other Banks	52 041	-	-	-	-	-	52 041
Deposits from customers	313 272	199 271	563 239	-	-	-	1 075 782
Lines of credit	-	87 030	116 356	-	-	-	203 386
Other financial liabilities	-	-	-	-	-	25 666	25 666
Total liabilities	365 313	286 301	679 595	-	-	25 656	1 356 875
Interest rate repricing gap	(62 832)	(143 346)	(324 749)	529 558	400 948	8 790	408 369
Cumulative repricing gap	(62 832)	(206 178)	(530 927)	(1 369)	399 579	408 369	408 369

HISTORICAL COST

	Up to 1 month ZWL'000	1 month to 3 months ZWL'000	3 months to 1 year ZWL'000	1 year to 5 years ZWL'000	Above 5 years ZWL'000	Non-interest bearing ZWL'000	Total ZWL'000
As at 31 December 2018							
Assets							
Cash and bank balances	34 719	-	-	-	-	-	34 719
Amounts due from other banks	1 724	-	-	-	-	-	1 724
Financial assets at amortised cost	-	-	26 835	4 759	63 303	-	94 897
Financial assets at FVPL	-	-	-	-	-	142	142
Loans and advances	12 193	25 584	35 164	74 360	-	-	147 301
Other financial assets	-	-	-	-	-	4 418	4 418
Total assets	48 636	25 584	61 999	79 119	63 303	4 560	283 201
Liabilities							
Deposits due to other banks	8 378	-	-	-	-	-	8 378
Deposits from customers	49 037	32 702	91 453	-	-	-	173 192
Lines of credit	-	-	32 743	-	-	-	32 743
Other financial liabilities	-	-	-	-	-	3 749	3 749
Total liabilities	57 415	32 702	124 196	-	-	3 749	218 062
Interest rate repricing gap	(8 779)	(7 118)	(62 197)	79 119	63 303	811	65 139
Cumulative repricing gap	(8 779)	(15 897)	(78 094)	1 025	64 139	65 139	65 139

Sensitivity analysis

The following table presents sensitivities of profit or loss and equity to a 5% strengthening or weakening in interest rates with all other variables held constant.

	ZWL' 000	% Increase or decrease in interest rates	Increase or decrease in profit or loss and equity ZWL' 000
Inflation Adjusted			
As at 31 December 2019			
Interest income			
Interest income on loans and advances	82 805	5%	4 140
Interest income on Financial assets at amortised cost - ZAMCO TBs	10 651	5%	533
Interest income on Financial assets at amortised cost - CTBs	1 820	5%	91
Interest income on fixed deposits	1 213	5%	61
Interest income on bonds and debentures	1 325	5%	66
Total increase or decrease in profit or loss and equity			4 891
Interest expense			
Interest expense on fixed deposits	(26 603)	5%	(1330)
Interest expense on retail and savings accounts	(427)	5%	(21)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(6 138)	5%	(307)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(231)	5%	(12)
Total increase or decrease in profit or loss and equity			(1 670)
Historical Cost			
As at 31 December 2019			
Interest income			
Interest income on loans and advances	32 620	5%	1 631
Interest income on Financial assets at amortised cost - ZAMCO TBs	2 193	5%	110
Interest income on Financial assets at amortised cost - CTBs	1 820	5%	91
Interest income on fixed deposits	314	5%	16
Interest income on bonds and debentures	276	5%	14
Total increase or decrease in profit or loss and equity			1 862

AGRIBANK
Your all weather bank

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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

	ZWL' 000	% Increase or decrease in interest rates	Increase or decrease in profit or loss and equity ZWL' 000
Interest expense			
Interest expense on fixed deposits	(11 017)	5%	(551)
Interest expense on retail and savings accounts	(177)	5%	(9)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(2 542)	5%	(127)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(95)	5%	(5)
Total increase or decrease in profit or loss and equity			**(692)**
Inflation Adjusted			
As at 31 December 2018			
Interest income			
Interest income on loans and advances	88 467	5%	4 423
Interest income on Financial assets at amortised cost - ZAMCO TBs	-	5%	-
Interest income on Financial assets at amortised cost - CTBs	19 279	5%	962
Interest income on fixed deposits	782	5%	39
Interest income on bonds and debentures	2 959	5%	148
Total increase or decrease in profit or loss and equity			**5 572**
Interest expense			
Interest expense on fixed deposits	(19 152)	5%	(957)
Interest expense on retail and savings accounts	(809)	5%	(40)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(15 675)		5% (784)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(2 843)	5%	(143)
Total increase or decrease in profit or loss and equity			**(1 924)**
Historical Cost			
As at 31 December 2018			
Interest income			
Interest income on loans and advances	16 740	5%	837
Interest income on financial assets at amortised cost - ZAMCO TBs	-	5%	-
Interest income on Financial assets at amortised cost - CTBs	3 648	5%	182
Interest income on fixed deposits	148	5%	7
Interest income on bonds and debentures	560	5%	28
Total increase or decrease in profit or loss and equity			**1 054**
Interest expense			
Interest expense on fixed deposits	(3 624)	5%	(181)
Interest expense on retail and savings accounts	(153)	5%	(8)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(2 966)	5%	(148)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(538)	5%	(27)
Total increase or decrease in profit or loss and equity			**(364)**

4.2 Capital risk management

Capital risk is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity, a failure to meet regulatory requirements and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.

The Bank's strategic focus is to maintain an optimal mix of high quality capital, while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio.
The Bank's objectives when managing capital are:

- To comply with the capital requirements of the Reserve Bank of Zimbabwe;
- To safeguard the Bank's ability as a going concern so that it can continue to provide returns to share holders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

The regulatory capital requirements are strictly observed when managing economic capital.

The banking regulatory capital is analysed into three tiers:

- Tier 1 capital, which includes ordinary share capital and premium, retained earnings, non-distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for- sale.
- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses on and off statement of financial position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50% of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include investment in the capital of other banks and certain other regulatory items.

The Bank's operations are categorised as either banking or trading book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off statement of financial position exposures.

Capital adequacy ratio

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Share capital	104 265	103 300	12 108	12 108
Shareholder capital contribution	215 642	100 249	88 035	13 035
Share premium	586 314	586 314	68 087	68 087
IFRS adjustment on capitalization TBs	2 601	38 011	2 601	4 414
Accumulated Loss	(577 439)	(300 372)	2 668	(24 929)
Tier 1 capital*	**331 383**	**527 502**	**173 499**	**72 715**
Revaluation reserve	-	65 910	74 891	7 654
General provisions	11 858	77 268	11 858	3 077
Tier 2 capital**	**11 858**	**143 178**	**86 749**	**10 731**
Market risk capital	14 489	55	14 489	10
Operational risk capital	11 490	32 121	11 490	5823
Tier 3 capital	**25 979**	**32 176**	**25 979**	**5 833**
Total capital	**369 220**	**702 856**	**286 227**	**89 279**
Total risk weighted assets	**1 581 167**	**1 200 445**	**1 742 498**	**246 168**
Capital adequacy ratio	**23.35%**	**58.55%**	**16.43%**	**36.27%**
Tier 1	20.96%	43.94%	9.96%	29.54%
Tier 2	0.75%	11.93%	4.98%	4.36%
Tier 3	1.64%	2.68%	1.49%	2.37%

* Tier 1 capital requirement should be a minimum of ZWL25 million.
** Tier 2 capital should not exceed 50% of Tier 1 capital.

The Zimbabwe Banking Act (Chapter 24:20) section 31 stipulates that capital adequacy ratio as calculated in historical cost terms should be a minimum of 12% of Tier 1 capital.

Included in Tier 1 capital as part of shareholder capital contribution are capitalisation treasury bills with a carrying amount of ZWL37.4 million (2018: ZWL$35.6 million).

On 26 May 2015, the Bank received capitalisation treasury bills with a face value of US$30.0 million. The CTBs mature on 26 May 2025 and carry a coupon of 1% which is payable on maturity. On 8 December 2016, the Bank received further CTBs with a face value of US$10.0 million. The CTBs received in 2016 mature on 8 December 2026 and carry a coupon of 5% which is payable on maturity.

The face value of the treasury bills is accepted as prescribed equity capital by the Reserve Bank of Zimbabwe. IFRS requires all financial assets and financial liabilities to be recognised initially at fair value. Subsequent to initial recognition, IFRS requires financial assets at amortised cost to be subsequently measured using the effective interest rate method.

4.3 Regulatory Risk Rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The following is the result of the last onsite examination:

AGRIBANK CAMELS RATINGS AS AT 31 MARCH 2017

CAMELS COMPONENT	RATING AS AT 31 MARCH 2017	
Capital	2	satisfactory
Asset Quality	3	fair
Management	3	fair
Earnings	3	fair
Liquidity	3	fair
Sensitivity to market risk	2	satisfactory
Composite rating	3	fair

OVERALL RATINGS

The composite CAMELS rating assigned to the Bank is "3" i.e. fair

In terms of the Risk Assessment System (RAS), the composite risk of the Bank was considered moderate on account of moderate aggregate inherent risk and acceptable overall risk management systems. The direction of the overall composite risk is stable:

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
Your all weather bank

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

SUMMARY RISK MATRIX

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

Interpretation of risk matrix

Level of Inherent risk
Low - the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is lower than average. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's financial condition.

Moderate - the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is average. It could reasonably have expected to result in a loss, which could be absorbed by a banking institution in the normal course of business.

High - the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is higher than average. High inherent risk could reasonably be expected to result in

Weak - Management of risk is barely effective and lacking to a high degree. Risk management weaknesses have not been addressed. Management does not implement timely and appropriate actions in response to changing conditions. Bank personnel lack knowledge on risk management and are inexperienced. Management information systems are inadequate.

Acceptable - Management of risk is largely effective but lacking to some modest degree. The institution has minor risk management weaknesses which can be addressed during the normal course of business. Management information system are generally adequate.

Strong - Risk management systems are adequate for identifying, measuring, monitoring and controlling risks. Whilst the institution may be having some insignificant risk management weaknesses, these have been recognised and are being addressed. Management information systems are adequate.

Adequacy of risk management systems

Overall composite risk
Low - would be assigned to low inherent risk areas. Minor risk areas may be assigned a low composite risk where risk management systems are acceptable or strong. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong or very strong and effectively mitigate much of the risk.
Moderate - risk management systems appropriately mitigate inherent risk. For a given minor or low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong or very 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 banking institution.
High - risk management systems do not significantly mitigate the low, moderate, high or extreme inherent risk. The activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition, even in some cases where systems are considered strong.

Direction of overall composite

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

4.4 External credit rating
The Bank subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR). The ratings for the last three (3) years were as follows:

	2019	2018	2017
Long term debt rating scale	BB-	BB-	B+

5 FAIR VALUE ESTIMATION

IFRS 13 "Fair value measurement" requires an entity to classify its assets and liabilities according to hierarchy that reflects the availability of observable significant market inputs. The table below analyses financial instruments carried at fair value, by valuation method. The three levels have been defined as follows:

Quoted market prices - Level 1
Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2
Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs - Level 3
Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.
The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety. The following table analyses the financial assets carried at fair value and at amortised cost:

Fair value hierarchy of financial assets and liabilities carried at fair value

	Valuation technique using			
	Quoted Market Prices Level 1 ZWL'000	Observable inputs Level 2 ZWL'000	Significant unobservable inputs Level 3 ZWL'000	Total ZWL'000
Inflation adjusted				
As at 31 December 2019				
Financial assets at amortised cost				
Treasury bills (TBs)	-	-	68 937	68 937
Deferred facility fees on ZAMCO TBs	-	-	441	441
Savings bonds	-	-	-	-
Fixed deposit placements	-	-	10 003	10 003
Fidelity Life bonds	-	-	420	420
Cairns Foods Limited debentures	-	-	459	459
	-	**-**	**80 260**	**80 260**
Land	-	-	40 132	40 132
Buildings	-	-	258 187	258 187
Investment Properties	-	-	15 951	15 951
Investment in unquoted shares	-	-	2 432	2 432
Non-Financial assets at FVPL	-	-	**316 702**	**316 702**
Historical Cost				
As at 31 December 2019				
Financial assets at amortised cost				
Treasury bills (TBs)			67 485	67 485
Deferred facility fees on ZAMCO TBs	-	-	441	441
Savings bonds	-	-	-	-
Fixed deposit placements	-	-	10 003	10 003
Fidelity Life bonds	-	-	420	420
Cairns Foods Limited debentures	-	-	459	459
Financial assets at FVPL	-	-	405 962	405 962
	-	-	**484 770**	**484 770**
Financial liabilities				
Due to other banks	-	-	7 298	7 298
Deposits from customers	-	-	566 906	566 906
Other financial liabilities	-	-	2 009	2 009
Lines of credit	-	-	434 871	434 871
	-	-	**1 011 084**	**1 011 084**

AGRIBANK

Your all weather bank

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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

	Quoted Market Prices Level 1 ZWL'000	inputs Level 2 ZWL'000	Significant Observable inputs Level 3 ZWL'000	unobservable Total ZWL'000
Historical cost				
As at 31 December 2019				
Treasury bills (TBs)			67 485	67 485
Deferred facility fees on ZAMCO TBs	-	-	441	441
Savings bonds	-	-	-	-
Fixed deposit placements	-	-	10 003	10 003
Fidelity Life bonds	-	-	420	420
Cairns Foods Limited debentures	-	-	459	459
Financial assets at FVPL	-	-	405 962	405 962
	-	-	**484 770**	**484 770**
Financial liabilities				
Due to other banks	-	-	7 298	7 298
Deposits from customers	-	-	566 906	566 906
Other financial liabilities	-	-	2 009	2 009
Lines of credit	-	-	434 871	434 871
	-	-	**1 011 084**	**1 011 084**

Fair value hierarchy of financial assets and liabilities carried at fair value 2018

	Valuation technique using			
	Quoted Market Prices Level 1 ZWL'000	Observable inputs Level 2 ZWL'000	Significant unobservable inputs Level 3 ZWL'000	Total ZWL'000
Inflation Adjusted				
As at 31 December 2018				
Financial assets at amortised cost				
Treasury bills (TBs)	-	-	434 870	**434 870**
Deferred facility fees on ZAMCO TBs	-	-	3 526	**3 526**
Savings bonds	-	-	79 334	**79 334**
Fixed deposit placements	-	-	65 348	**65 348**
Fidelity Life bonds	-	-	3 526	**3 526**
Cairns Foods Limited debentures	-	-	2 853	**2 853**
	-	-	**589 457**	**589 457**
Financial assets at FVPL	-	-	879	**879**
	-	-	**590 336**	**590 336**
Other Liabilities				
Due to other banks	-	-	52 041	**52 041**
Deposits from customers	-	-	1 075 782	**1 075 782**
Other financial liabilities	-	-	48 427	**48 427**
Lines of credit	-	-	203 386	**203 386**
	-	-	**1 379 636**	**1 379 636**
Historical Cost				
As at 31 December 2018				
Financial assets at amortised cost				
Treasury bills (TBs)	-	-	70 010	70 010
Deferred facility fees on ZAMCO TBs	-	-	568	568
Savings bonds	-	-	12 772	12 772
Fixed deposit placements	-	-	10 520	10 520
Fidelity Life bonds	-	-	568	568
Cairns Foods Limited debentures	-	-	459	459
	-	-	**94 897**	**94 897**
Financial assets at FVPL	-	-	142	**142**
	-	-	**95 039**	**95 039**
As at 31 December 2018				
Financial liabilities				
Due to other banks	-	-	8 378	**8 378**
Deposits from customers	-	-	173 192	**173 192**
Other financial liabilities	-	-	3 749	3 749
Lines of credit	-	-	32 743	**32 743**
	-	-	**218 062**	**218 062**

Fair valuation of ZAMCO treasury bills at initial recognition

In 2017, the Bank received treasury bills as settlement for non-performing loans transferred to Zimbabwe Asset Management Company (ZAMCO). These treasury bills were issued at coupon rates ranging between 0% and 5% per annum and maturing between 2 years and 15 years. For treasury bills issued at a coupon rate of 0%, 5% was determined as a fair discount rate for use in determining the fair value thereof at initial recognition as explained in the table below.

The computation of the fair value at initial recognition falls into Level 3 of the fair value hierarchy in terms of IFRS 13; "Fair value measurement" due to the absence of a recognisable market in which similar instruments are traded.

Valuation technique	Significant unobservable inputs	Inter-relationship unobservable inputs and fair value measurement
The discounted cash-flow valuation technique was applied by identifying a risk-adjusted discount rate for comparable risk profiles and applying this on the contractual cash-flows in order to determine the present value of the instrument	A discount rate of 5% was determined to be fair and appropriate. This was developed principally from adding a supposed fair rate of return to the projected inflation profile over the term of the instrument, which yielded a range of 3.93% to 5.5%. The supposed fair return was based on the 10-year US bond. The rates above were corroborated by reference to; (a) Rates applicable to similar Government of Zimbabwe loans over the same terms; and (b) External loan rates to private sector players in Zimbabwe after risk margins and charges.	The estimated fair value would increase/ (decrease) if a different risk adjusted discount rate was applied. Below is an indication of the sensitivity analysis at different rates; **Discount rate / Basis / Fair value at discount rate** 3.93% Minima $1 897 4.63% Average $3 429 5.00% Rate applied $4 214 5.50% Maxima $5 247

6. CASH AND BANK BALANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Cash on hand	68 105	11 446	68 105	1 842
RBZ Current Account	221 159	177 325	221 159	28 548
RBZ Statutory Reserves	12 937	26 890	12 937	4 329
Amounts due from other banks	59 020	10 707	59 020	1 724
	361 221	**226 368**	**361 221**	**36 443**

Amounts due from other banks comprises current accounts and fixed placements held with other banks.

7 FINANCIAL ASSETS

7.1 Financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Treasury bills (TBs)	67 485	434 870	67 485	70 010
Deferred facility fees on ZAMCO TBs	442	3 526	442	568
Savings bonds	-	79 334	-	12 772
Fixed deposit placements	10 003	65 348	10 003	10 520
Fidelity Life bonds	420	3 526	420	568
Cairns Foods Limited debentures	459	2 853	459	459
	78 809	**589 457**	**78 809**	**94 897**

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
Your all weather bank

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

Reconciliation of financial assets at amortised cost

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	**2018 ZWL'000**	**2019 ZWL '000**	**2018 ZWL '000**
As at 1 January	589 457	517 060	94 897	83 242
Additions - ZAMCO treasury bills	8 861	454	8 861	73
ZAMCO deferred fees recognised during the year	(126)	(783)	(126)	(126)
Additions - Savings bonds	-	58 849	-	9 474
Additions - Fixed deposit placements	10 000	17 367	10 000	2 796
Maturities	(531 381)	(23 212)	(36 821)	(3 737)
Accrued interest	4 086	33 387	4 086	5 375
Interest payments received	(2 088)	(13 665)	(2 088)	(2 200)
As at 31 December	**78 809**	**589 457**	**78 809**	**94 897**
Maturity analysis				
Due within 3 months to 1 year	10 169	166 686	10 169	26 835
Due between 1 year and 5 years	4 212	29 562	4 212	4 759
Due between 5 years and 10 years	43 998	266 655	43 998	42 929
Due between 10 years and 15 years	20 430	126 554	20 430	20 374
	78 809	**589 457**	**78 809**	**94 897**

7.1.1 Capitalisation treasury bills (CTBs)

On 26 May 2015, treasury bills with a maturity value of ZWL$30 million were issued to the Bank as part of the recapitalisation by the shareholder. The treasury bills were issued at a coupon rate of 0.15% per annum maturing in ten years. Subsequent to year-end of 2015, the treasury bills were recalled and reissued on 26 February 2016 at a coupon rate of 1% per annum maturing in 10 years from the date of issue. Interest on the treasury bills is payable semi-annually. The Bank received additional CTBs in December 2016 with a face value of ZWL$10 million. These CTBs mature on 7 December 2026 and carry a coupon of 5% which is payable on maturity.

The CTBs were discounted and recorded at a carrying amount of ZWL 37.4 million as at 31 December 2019 (2018:ZWL$35.6 million). The CTBs have been classified as financial assets at amortised cost in terms of IFRS 9 - Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

7.1.2 ZAMCO treasury bills

Treasury bills were received as settlement for certain non-performing loans. The treasury bills were issued at coupon rates ranging between 2% to 5% per annum and maturing between 2 years and 15 years. The appropriate discounting of the treasury bills was applied in determining the fair value at initial recognition.

The ZAMCO TBs were discounted and recorded at a carrying amount of ZWL 31.5 million as at 31 December 2019 (2018:ZWL31.2 million). The TBs have been classified as financial assets at amortised cost in terms of IFRS 9 - Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

7.1.3 Fidelity Life bonds

Fidelity Life Bonds were received as settlement for certain non-performing loans and are redeemable in five equal instalments every 30th day of June. The first instalment of US$140 000 was received on 30 June 2018 and the last instalment due on 30 June 2022.

7.1.4 Cairns Foods Limited debentures

The Bank received Cairns Foods Limited debentures as settlement for a non-performing loan on 30 September 2015 at a coupon rate of 5% payable bi-annually on the 30th day of September and 31st day of March with a tenor of sixty months from the date of allotment.

7.2 Financial assets at fair value through profit and loss

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL '000	**2018 ZWL '000**	**2019 ZWL '000**	**2018 ZWL '000**
	2 432	879	2 432	142
Investment in unquoted shares	879	879	142	142
Valuation gain	1 553	-	2 290	-
	403 530	-	403 530	-
Embedded derivative (IDC legacy debt)	408 945	-	408 945	-
Fair value adjustment	(5 415)	-	(5 415)	-
Investment in unquoted shares	**405 962**	**879**	**405 962**	**142**

The Bank undertook an investment in SWIFT shares of 24 shares worth ZWL2 432 000 as at 31 December 2019 (ZWL141 562) as at 31 December 2018. These shares are unquoted and the fair value is based on SWIFT confirmation.

Embedded derivative (IDC legacy debt)

The Bank recognised a financial asset of ZWL$408 million which relates to the Reserve Bank of Zimbabwe ("RBZ") funding the Bank's foreign liability funding gap which arose after separation of RTGS and foreign currency balances by the Reserve Bank of Zimbabwe. . The arrangement with the RBZ was determined in accordance with IFRS 9 to contain an embedded derivative which is recognised at fair value through profit or loss, any gains or losses will be recognised in profit or loss The fair value of the financial asset on initial recognition was determined as the anticipated US$ amount receivable translated at the closing exchange rate. Subsequently the financial asset was remeasured taking into the movement in the exchange rates.

The fair value adjustments relates to the portion of interest on the legacy debt which is not covered by this arrangement at year end. As at the date of this report the Bank has not received funding from the RBZ with the respect to the foreign liability and the timing of the cashflows from the Reserve Bank is uncertain. It was therefore difficult to determine the present value of the future cashflows at initial recognition of this instrument. The Directors believe that the Bank will fully recover in US$ from this arrangement and will therefore not account for any additional fair value adjustments.

8 LOANS AND ADVANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	**2018 ZWL'000**	**2019 ZWL'000**	**2018 ZWL'000**
Loans	265 761	852 725	265 761	137 281
Overdrafts	21 178	62 238	21 178	10 020
Gross loans and advances	**286 939**	**914 963**	**286 939**	**147 301**
Less:				
Allowance for expected credit losses	(12 689)	(49 733)	(12 689)	(8 007)
Suspended interest	(5 801)	(19 817)	(5 801)	(3 190)
Net loans and advances	**268 449**	**845 413**	**268 449**	**136 104**
8.1 Maturity analysis				
Due within 1 month	25 834	75 737	25 834	12 193
Due between 1 month and 3 months	19 659	158 916	19 659	25 584
Due between 3 months and 1 year	65 701	218 422	65 701	35 164
Due between 1 year and 5 years	175 745	461 888	175 745	74 360
	286 939	**914 963**	**286 939**	**147 301**
8.2 Non-performing loans				
Included in the loans and advances are the following:				
Gross non-performing loans	20 521	80 712	20 521	12 994
Expected credit losses on non-performing loans and advances	(415)	(16 858)	(415)	(2 714)
Suspended interest on non-performing loans and advances	(5 801)	(19 814)	(5 801)	(3 190)
Net non-performing loans	**14 305**	**44 040**	**14 305**	**7 090**

8.3 Sectoral analysis of loans and advances

	INFLATION ADJUSTED			
	2019 ZWL'000	**2019 %**	**2018 ZWL'000**	**2018 %**
Individuals	130 306	45.41%	466 554	50.99%
Agriculture	107 068	37.31%	319 123	34.88%
Manufacturing	11 153	3.89%	68 565	7.49%
Communication	54	0.02%	515	0.06%
Construction	244	0.09%	6 646	0.73%
Transport	54	0.02%	257	0.03%
Services	21 558	7.51%	25 558	2.79%
Mining	1 600	0.56%	19 254	2.10%
Distribution	14 902	5.19%	8 491	0.93%
	286 939	**100%**	**914 963**	**100%**

8.3 Sectoral analysis of loans and advances

	HISTORICAL COST			
	2019 ZWL'000	**2019 %**	**2018 ZWL'000**	**2018 %**
Individuals	130 306	45.41%	75 465	51.23%
Agriculture	107 068	37.31%	51 124	34.71%
Manufacturing	11 153	3.89%	10 984	7.46%
Communication	54	0.02%	83	0.06%
Construction	244	0.09%	1 065	0.72%
Transport	54	0.02%	41	0.03%
Services	21 558	7.51%	4 094	2.78%
Mining	1 600	0.56%	3 085	2.09%
Distribution	14 902	5.19%	1 360	0.92%
	286 939	**100%**	**147 301**	**100%**

AGRIBANK

Your all weather bank

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

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

8 LOANS AND ADVANCES (CONTINUED)

8.4 Movement in allowance for expected credit losses

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Carrying amount as at 1 January	49 733	32 722	8 007	5 268
Recognition of expected credit losses	-	13 554	-	2 182
Carrying amount	**49 733**	**46 276**	**8 007**	**7 450**
Expected credit losses for the year	14 732	27 250	9 229	4 387
Utilisation of provision on fair valuation of ZAMCO TBs at initial recognition	-	813	-	131
Reclassification of suspense interest on ZAMCO loans	-	(11 573)	-	(1 863)
Amounts written off during the year as uncollectible	(51 776)	(13 033)	(4 547)	(2 098)
Carrying amount as at 31 December	**12 689**	**49 733**	**12 689**	**8 007**
The allowance for impairment charges consists of the following:				
Specific expected credit losses	640	16 856	607	2 714
Portfolio expected credit losses	12 049	32 877	12 082	5 293
	12 689	**49 733**	**12 689**	**8 007**

9 OTHER ASSETS

Equipment in transit*	828	89	777	14
Rent receivable	254	1 214	254	195
Prepayments*	18 511	5 139	13 112	827
Consumables*	2 640	908	693	147
Sundry debtors	2 366	8 668	2 366	1 396
Security deposits	17 240	17 559	17 240	2 827
	41 839	**33 577**	**34 442**	**5 406**

*consists of non-monetary items

10 INVESTMENT PROPERTIES

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Carrying amount as at 1st January	-	-	-	-
Reclassification from PPE	616	-	616	-
Additions	3 477	-	3 477	-
Fair valuation gain	11 858	-	11 858	-
Carrying amount as at 31 December 2019	**15 951**	-	**15 951**	-

The fair value of the Bank's property and equipment at 31 December 2019 has been arrived at on the basis of a valuation carried out by Dawn Property Consultancy, independent valuers. The valuation conforms to International Valuation Standards. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There was also transfer of property and equipment from to investment properties during the year. If investment properties were carried at historical cost the carrying amount would be ZWL4,093,000.

The professional valuers included a caveat regarding the reliability of the revaluation. The basis of the caveat was the impact of Statutory Instrument 142 of 2019 "Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019", which legislated the Zimbabwe dollar as the sole legal tender for the settlement of domestic transactions with effect from 24 June 2019. As valuations rely on historic market evidence for calculation of inputs such as transaction process for comparable properties rentals and capitalization rates, the professional valuers concluded that there was insufficient market evidence at present to compute values in the functional and presentation currency and hence they relied on foreign currency inputs translated to ZWL using the interbank rate.

Sensitivity analysis on investment property valuations

Revalued Amount	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Description of asset				
Rates – USD:ZWL	16.70	25	13.36	15.03
Land and buildings	15 951	23 875	12 759	14 354
Impact on Statement of Financial position				
Increase/(decrease) in value	-	7 924	(3 192)	(1597)
Impact on Statement of Comprehensive Income				
Increase/ (decrease) in value		5 884	(2 370)	(1 186)

11. PROPERTY AND EQUIPMENT

INFLATION ADJUSTED

	Land ZWL'000	Buildings ZWL'000	Motor vehicles ZWL'000	Computer equipment ZWL'000	Office equipment ZWL'000	Fixtures and fittings ZWL'000	Furniture ZWL'000	Work-in-progress ZWL'000	Total ZWL'000
Carrying amount as at 1 January 2018	**25 991**	**141 845**	**8 841**	**11 685**	**20 586**	**10 148**	**4 865**	**11 645**	**235 606**
Reclassification to intangible assets	-	-	-	-	-	-	-	**(10 955)**	**(10 955)**
Transfer from work-in-progress	-	-	-	**619**	**71**	-	-	**(690)**	-
Additions	-	**80**	**4 498**	**4 461**	**2 945**	**2 364**	**1 399**	-	**15 747**
Disposals – cost	-	-	**(180)**	**(665)**	**(652)**	**(237)**	**(272)**	-	**(2 006)**
Disposals – accumulated depreciation	-	-	**180**	**650**	**643**	**44**	**54**	-	**1 571**
Depreciation charge	-	**(3 405)**	**(3 808)**	**(3 151)**	**(4 228)**	**(1 721)**	**(498)**	-	**(16 811)**
Carrying amount as at 31 December 2018	**25 991**	**138 520**	**9 531**	**13 599**	**19 365**	**10 598**	**5 548**	-	**223 152**
Cost or revalued amount	14 010	122 245	-	-	-	-	-	-	136 255
Reclassification to investment properties	-	(616)	-	-	-	-	-	-	(616)
Additions	130	1 102	6 383	5 542	2 371	3 602	607	5 006	24 743
Disposal- cost	-	-	(728)	(81)	(10)	(4)	(828)	-	(1 651)
Disposals – accumulated depreciation	-	-	728	80	9	1	819	-	1 637
Depreciation charge	-	(3 064)	(4 164)	(4 502)	(4 425)	(2 031)	(1 002)	-	(19 188)
Carrying amount as at **31 December 2019**	**40 131**	**258 187**	**11 750**	**14 638**	**17 310**	**12 166**	**5 144**	**5 006**	**364 332**
As at 31 December 2018									
Cost or revalued amount	25 991	152 442	22 750	30 339	35 051	12 327	6 499	-	285 399
Accumulated depreciation	-	(13 922)	(13 219)	(16 740)	(15 686)	(1 729)	(951)	-	(62 247)
Carrying amount	**25 991**	**138 520**	**9 531**	**13 599**	**19 365**	**10 598**	**5 548**	-	**223 152**
As at 31 December 2019									
Cost or revalued amount	40 131	258 187	28 405	35 801	37 411	15 924	6 280	5 006	427 145
Accumulated depreciation	-	-	(16 655)	(21 163)	(20 101)	(3 758)	(1 136)	-	(62 813)
Carrying amount	**40 131**	**258 187**	**11 750**	**14 638**	**17 310**	**12 166**	**5 144**	**5 006**	**364 332**

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
Your all weather bank

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

HISTORICAL COST

	Land ZWL'000	Buildings ZWL'000	Motor vehicles ZWL'000	Computer equipment ZWL'000	Office equipment ZWL'000	Fixtures and fittings ZWL'000	Furniture ZWL'000	Work-in-progress ZWL'000	Total ZWL'000
Carrying amount as at 1 January 2018	**3 020**	**16 490**	**830**	**869**	**2 275**	**1 128**	**592**	**1 744**	**26 948**
Reclassification to intangible assets	-	-	-	-	-	-	-	(1 651)	(1 651)
Transfer of work-in-progress	-	-	-	82	11	-	-	(93)	-
Additions	-	12	658	686	450	371	211	-	2 388
Disposals – cost	-	-	(27)	(100)	(98)	(37)	(41)	-	(303)
Disposals – accumulated depreciation	-	-	27	97	96	7	8	-	235
Depreciation charge	-	(416)	(382)	(369)	(497)	(233)	(121)	-	(2 018)
Carrying amount as at 31 December 2018	**3 020**	**16 086**	**1 106**	**1 265**	**2 237**	**1 236**	**649**	**-**	**25 599**
Reclassification to investment properties	-	(616)	-	-	-	-	-	-	(616)
Revaluation surplus	36 981	242 940	-	-	-	-	-	-	279 921
Additions	130	194	4 663	1 642	870	1 924	189	3 497	13 109
Disposals – cost	-	-	(98)	(11)	(1)	(1)	(1)	-	(112)
Disposals – accumulated depreciation	-	-	98	11	1	1	1	-	112
Depreciation charge		(417)	(713)	(675)	(574)	(352)	(197)	-	(2 928)
Carrying amount as at 31 December 2019	**40 131**	**258 187**	**5 056**	**2 232**	**2 533**	**2 808**	**641**	**3 497**	**315 085**
As at 31 December 2018									
Cost or revalued amount	3 020	17 703	2 642	3 669	4 089	1 463	761	-	33 347
Accumulated depreciation	-	(1 617)	(1 536)	(2 404)	(1 852)	(227)	(112)	-	(7 748)
Carrying amount	**3 020**	**16 086**	**1 106**	**1 265**	**2 237**	**1 236**	**649**	**-**	**25 599**
As at 31 December 2019									
Cost or revalued amount	40 131	260 220	7 206	5 300	4 957	3 387	950	3 497	325 648
Accumulated depreciation	-	(2 033)	(2 150)	(3 068)	(2 424)	(579)	(309)	-	(10 563)
Carrying amount as at 31 December 2019	**40 131**	**258 187**	**5 056**	**2 232**	**2 533**	**2 808**	**641**	**3 497**	**315 085**

11.1 PROPERTY AND EQUIPMENT (CONTINUED)

	Fixtures & fittings		Furniture		Land & buildings	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Cost	3 387	1 992	950	740	18 398	15 629
Accumulated depreciation	(735)	(227)	(254)	(111)	(1 985)	(1 617)
Carrying amount	**2 652**	**1 765**	**696**	**629**	**16 413**	**14 012**

The fair value of the Bank's property and equipment at 31 December 2019 has been arrived at on the basis of a valuation carried out by Dawn Property Consultancy, independent valuers. The valuation conforms to International Valuation Standards. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The professional valuers included a caveat regarding the reliability of the revaluation. The basis of the caveat was the impact of Statutory Instrument 142 of 2019 "Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019", which legislated the Zimbabwe dollar as the sole legal tender for the settlement of domestic transactions with effect from 24 June 2019. As valuations rely on historic market evidence for calculation of inputs such as transaction process for comparable properties rentals and capitalization rates, the professional valuers concluded that there was insufficient market evidence at present to compute values in the functional and presentation currency and hence they relied on foreign currency inputs translated to ZWL using the interbank rate.

Sensitivity analysis on land and buildings valuations

Revalued Amount	2019 (ZWL'000)	2018 (ZWL'000)	2019 (ZWL'000)	2018 (ZWL'000)
Description of asset				
Rates – USD:ZWL	16.70	25	13.36	15.03
Land and buildings	298 318	446 584	238 654	268 486
Impact on Statement of Financial position				
Increase/(decrease) in value		148 266	(59 664)	(29 832)
Impact on Statement of Comprehensive Income				
Increase/ (decrease) in value		114 226	(45 966)	(22 983)

12 INTANGIBLE ASSETS

	INFLATION ADJUSTED			HISTORICAL COST		
	Work in Progress ZWL'000	Computer Software ZWL'000	Total ZWL'000	Work in Progress ZWL'000	Computer Software ZWL'000	Total ZWL'000
Carrying amount as at 01 January 2018	**-**	**6 313**	**6 313**	**-**	**965**	**965**
Additions	22 102	1 768	23 870	3 553	39	3 592
Reclassification from property and equipment	10 955	-	10 955	1 651	-	1 651
Reclassification from work in progress	(2 084)	2 084	-	(242)	242	-
Amortisation charges	-	(2 943)	(2 943)	-	(353)	(353)
Carrying amount as at 01 January 2019	**30 973**	**7 222**	**38 195**	**4 962**	**893**	**5 855**
Additions	48 474	511	48 985	22 972	741	23 713
Reclassification from work in progress	(570)	570	-	(66)	66	-
Amortisation charge	-	(6 100)	(6 100)	-	(513)	(513)
Carrying amount as at 31 December 2019	**78 877**	**2 203**	**81 080**	**27 868**	**1 187**	**29 055**
Cost	30 973	30 243	61 216	4 962	3 568	8 530
Accumulated amortisation	-	(23 021)	(23 021)	-	(2 675)	(2 675)
Carrying amount as at 31 December 2018	**30 973**	**7 222**	**38 195**	**4 962**	**893**	**5 855**
Cost	78 877	31 324	110 201	27 868	4 375	32 243
Accumulated amortisation	-	(29 121)	(29 121)	-	(3 188)	(3 188)
Carrying amount as at 31 December 2019	**78 877**	**2 203**	**81 080**	**27 868**	**1 187**	**29 055**

Work in progress comprises the T24 core banking system upgrade and other ICT projects.

13 RIGHT OF USE ASSETS AND LEASE LIABILITY

	INFLATION ADJUSTED	HISTORICAL COST
13.1 Right-of-use assets	**2019 ZWL '000**	**2019 ZWL '000**
Balance at 1 January 2019 (transitional adjustment)	5 553	894
Additions:	6 307	1 220
Depreciation	(927)	(175)
Rights-of-use at 31 December 2019	**10 933**	**1 939**
Cost	11 860	2 114
Accumulated depreciation	(927)	(175)

The Group leases several buildings in Zimbabwe as offices and residential property for its employees. The average lease term is 5 years (2018: 5years).

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AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED DECEMBER 2019

	INFLATION ADJUSTED	HISTORICAL COST
	2019	2019
13.1 Right-of-use assets	ZWL '000	ZWL '000
13.2 Lease liability		
Balance at 1 January 2019	2 114	2 114
Interest expense	105	105
Repayments	(210)	(210)
Balance at 31 December 2019	2 009	2 009
Maturity analysis		
Due within 1 year	774	-
Due between 2 years and 5 years	1 235	2 009
	2 009	**2 009**

In the previous year, the Bank did not recognise any lease assets and liabilities under IAS 17. When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 25%.

14 SHARE CAPITAL

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
14.1 Authorised share capital				
Ordinary shares of US$1.00 each	155 932	155 932	18 108	18 108
14.2 Issued and fully paid				
Ordinary shares of US$1.00 each	104 265	104 265	12 108	12 108

The unissued share capital is under the control of the directors' subject to the limitations of the Companies Act (Chapter 24:03).

15 SHAREHOLDER CAPITAL CONTRIBUTION

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Shareholder capital contribution awaiting allotment	140 642	26 135	13 035	3 035
Received during the year	75 000	74 114	75 000	10 000
	215 642	**100 249**	**88 035**	**13 035**

This amount represents contribution by shareholders to increase share capital. The capital contribution has not yet been allotted (refer to Statement of changes in equity for the movement).

16 DEPOSITS DUE TO OTHER BANKS

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Term deposits held with other banks	7 298	52 041	7 298	8 378
Maturity analysis				
Due within 1 month	7 298	52 041	7 298	8 378

All deposits from banks are fixed-interest rate deposits with interest rates ranging between 7% and 12%.

17 DEPOSITS FROM CUSTOMERS

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Demand deposits	305 313	304 592	305 313	49 037
Savings accounts	28 138	203 128	28 138	32 702
Term deposits	233 811	569 736	233 811	91 722
Deferred Agro-bills arrangement fees	(356)	(1 674)	(356)	(269)
	566 906	**1 075 782**	**566 906**	**173 192**

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'00
Maturity analysis				
Due within 1 month	432 297	313 272	432 297	49 037
Due between 1 month and 3 months	45 185	199 271	45 185	32 702
Due between 3 months and 1 year	89 424	563 239	89 424	91 453
	566 906	**1 075 782**	**566 906**	**173 192**

18 OTHER LIABILITIES

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Provision for leave pay (note 18.1)	951	2 205	951	355
Accrued expenses	2 782	7 426	2 782	1 319
Sundry creditors	1 285	6 863	1 285	1 105
Software, connectivity	-	2 641	-	307
Subsistence, travelling and transport hire	-	121	-	14
Audit fees	114	429	114	69
Withholding and other taxes	7 371	19 440	7 371	3 130
Unclaimed deposits	161	1 611	161	259
Medical aid, standards and manpower development liability	86	163	86	26
Provision for long service awards	882	254	882	41
Provision for bonus	849	1 652	849	266
Zimbabwe Asset Management (ZAMCO) collections payable	2 339	5 622	2 339	905
	16 820	**48 427**	**16 820**	**7 796**
18.1 Provision for leave pay				
As at 1 January	2 205	1 876	355	302
Provision for leave pay charge	1 764	2 081	764	335
Provision for leave pay utilised	(3 018)	(1 752)	(168)	(282)
As at 31 December	**951**	**2 205**	**951**	**355**

19 DEFERRED INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Deferred income	40 393	24 116	7 198	3 883
Maturity analysis				
Due within 1 month	3 244	2 055	614	331
Due between 1 month and 3 months	5 028	3 185	951	513
Due between 3 months and 1 year	3 519	2 229	666	359
Due between 1 year and 5 years	28 602	16 647	4 967	2 680
	40 393	**24 116**	**7 198**	**3 883**
19.1 Movement in deferred income				
As at 1 January	24 116	14 969	3 883	2 410
Income deferred during the year	22 991	21 223	4 590	3 417
Income realised during the year	(6 714)	(12 076)	(1 275)	(1 944)
As at 31 December	**40 393**	**24 116**	**7 198**	**3 883**

Deferred income relates to establishment and drawdown fees charged to customers on loans and advances, which mature subsequent to the reporting period.

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
Your all weather bank

20 LINES OF CREDIT

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 US$'000	2019 ZWL'000	2018 US$'000
Industrial Development Corporation of South Africa ("IDCSA")	434 871	142 636	434 871	22 963
Reserve Bank of Zimbabwe (Aftrades)	-	62 838	-	10 116
0Deferred upfront and raising fees	-	(2 088)	-	(336)
Total	**434 871**	**203 386**	**434 871**	**32 743**
Maturity analysis				
Due between 1 month and 3 months	434 871	62 838	434 871	10 116
Due between 3 months and 1 year	-	140 548	-	22 627
	434 871	**203 386**	**434 871**	**32 743**
Analysis of lines of credit				
Carrying amount as at 1 January	203 386	137 224	32 743	22 092
Interest accrued during the year:	3 059	9 344	3 059	1 504
Industrial Development Corporation of South Africa ("IDCSA")	2 963	6 000	2 963	966
Reserve Bank of Zimbabwe (Aftrades)	96	3 344	96	538
Provision for default interest	-	12 425	-	2 000
Loss in value due to hyperinflation	(170 643)	-	-	-
Re-measurement of IDC Legacy debt to fair value	408 945	-	408 945	-
Deferred upfront and raising fees movement	336	1 708	336	275
Cash flows made during the year	(10 212)	42 686	(10 212)	6 872
Capital repayments	(10 000)	(15 162)	(10 000)	(2 441)
Interest repayments	(212)	(4 267)	(212)	(687)
Proceeds received during the year	-	62 115	-	10 000
Carrying amount as at 31 December	**434 871**	**203 386**	**434 871**	**32 743**

As at 31 December 2019, the Bank had an outstanding foreign debt of USD25 926 232 due to IDCSA. Statutory Instrument 33 of 2019 introduced RTGS Dollar a currency, which was pegged at 1:1 to the United States Dollar with effect from 22 February 2019. The Bank subsequently registered the IDCSA legacy debt with the Reserve Bank of Zimbabwe (RBZ), which was approved. The Bank paid the ZWL equivalent at USD1: ZWL1 then amounting to $25 604 239 and recorded this amount as a receivable due from RBZ and credited RBZ Bank account. The arrangement is such that when the foreign currency is available, RBZ will pay the foreign currency obligation to IDCSA on behalf of the Bank.

During the current year, the Bank was unable to make some of the scheduled loan repayments. At year-end, the total overdue instalments and accrued interest amounted to US$ 25.9 (2018: US$22.4million). The inability to settle loan obligations was as a result of lack of foreign currency. As at the date of this report the Lender has not called on the interest and accrued and the principal due.

Subsequent to year end, Agribank engaged IDC South Africa with a view to restructuring the loan. No agreement has been finalised to date however IDC South Africa has not called on the loan in full as at the date of this report.

21 TAXATION

21.1 Income tax expense

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Current tax	-	-	-	-
Deferred tax	(33 618)	(21 089)	(14 838)	371
Movement in temporary differences				
	(33 618)	(21 089)	(14 838)	371
Income tax (debit)/credit	**(33 618)**	**(21 089)**	**(14 838)**	**371**
Tax rate reconciliation				
Accounting profit	(234 030)	(201 331)	47 959	12 510
Notional taxation on income for the year at a statutory rate of 25.75% (2016: 25.75%)	-	-	12 350	3 221
Tax effect of non-taxable/non-deductible items:				
Expenses not deductible for tax purposes	46 256	53 312	6 502	865
Exempt income	(12 638)	(32 223)	(4 014)	(3 948)
Other tax adjustments	-	-	-	233
	33 618	**21 089**	**14 838**	**371**
21.2 Deferred tax				
Assessed losses	32 721	164	10 956	1 954
Deferred tax asset as at 31 December	**32 721**	**164**	**10 956**	**1 954**

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 US$'000	2019 ZWL'000	2018 US$'000
Property and equipment	68 860	57 950	5 462	4 542
Deferred tax on revaluation	30 621	-	61 906	-
Unrealised exchange gains	37 593	60	21 174	8
Provisions	(2 892)	(20 624)	(1 317)	(3 071)
Deferred tax liability as at 31 December	**134 182**	**37 386**	**87 225**	**1 479**
Net deferred tax liability/(asset)	**101 461**	**37 222**	**76 269**	**(475)**
The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction is as follows				
Net carrying amount as at 1 January	37 222	16 133	(475)	(458)
Tax adjustment on initial recognition of IFRS 9 credit loss	-	-	-	(562)
Balance as at 1 January 2018	**37 222**	**16 133**	**(475)**	**(104)**
Credit to profit or loss	33 618	21 089	14 838	(371)
Tax charge relating to components of other comprehensive income	30 621	-	61 906	-
Net deferred tax liability/(asset)	**101 461**	**37 222**	**76 269**	**(475)**

22 INTEREST AND SIMILAR INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Interest income on loans and advances to customers	83 692	130 288	32 620	16 440
Interest income on financial assets at amortized cost	14 005	38 818	4 289	4 508
Interest income on ZAMCO treasury bills	10 817	17 481	2 193	2030
Interest income on capitalisation treasury bills	1 820	16 516	1 820	1 918
Interest income on bonds and debentures	1 368	4 821	276	560
Amortisation of deferred facility fees on ZAMCO treasury bills	(413)	(1 031)	(126)	(126)
Interest income on fixed deposits	1 235	1 273	314	148
Management and establishment fees	29 389	125 192	9 929	16 092
	127 908	**294 540**	**47 026**	**37 062**

23 INTEREST EXPENSE & SIMILAR CHARGES

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Interest expense on fixed deposits	26 331	23 197	11 017	3 624
Amortisation of Agro bills arrangement fees	1 788	2 600	748	322
Interest expense on retail and savings accounts	423	1 317	177	153
Interest expense IDCSA	6 075	4 632	2 542	966
Default interest on IDCSA	-	21 216	-	2 000
Amortization of lines of credit upfront fees	1 541	4 362	645	545
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	228	4 342	95	538
Amortization of Aftrades raising fees	290	4 395	121	554
	36 676	**66 061**	**15 345**	**8 702**

24 FEE AND COMMISSION INCOME

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Fee income	77 723	40 687	35 332	5 023
Commission income	51 048	78 925	19 656	9 808
	128 771	**119 612**	**54 988**	**14 831**

The commissions are from usage of the Bank's electronic platforms and Point of Sale (POS) machines.

AGRIBANK

Your all weather bank

AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

25 OTHER OPERATING INCOME

	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'000
Rental income	1 651	2 827	604	347
Sundry income	781	1 607	450	217
Profit on disposal of property and equipment	118	-	232	-
Unrealized exchange gain	76 117	-	46 634	
RBZ Agency commission	4 058	6 556	1 394	801
Bad debt recoveries	372	1 941	100	221
	83 097	**12 931**	**49 414**	**1 586**

26 OPERATING EXPENSES

	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'00
Employee benefit expenses (note 26.1)	81 079	105 566	32 521	13 046
Directors' fees	882	1 011	398	129
Audit fees	779	897	276	110
Security expenses	5 889	9 396	2 345	1 153
Repairs and maintenance costs	8 711	5 345	4 296	666
Printing and stationery	8 839	8 149	4 265	1 010
Software license fees	18 643	7 117	9 730	856
Consultancy charges	1 828	3 394	1 041	428
Insurance	3 678	4 157	1 587	512
Motor vehicle fuel	5 426	3 586	2 857	438
Subsistence and travel	6 436	7 509	2 991	927
Advertising and subscriptions	14 858	12 727	7 794	1638
Telecommunication and postage charges	6 612	6 013	3 055	763
Networking and data charges	3 321	6 752	1 577	817

	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'00
Hire of services	8 220	4 965	4 479	614
Equipment hiring charges	480	498	199	62
Bank charges and cash in transit charges	2 708	4 897	1 282	596
Office cleaning expenses	1 356	1 689	527	204
Electricity and water charges	1 661	1 952	930	240
Rent and rates	2 255	4 963	907	622
Legal expenses	892	-	372	-
Public relations expenses	1 052	2 055	444	256
Depreciation of property and equipment (note 11)	19 188	16 811	2 928	2 018
Depreciation right of use assets	927	-	175	-
Amortisation of intangible assets (note 12)	6 100	2 943	513	353
Periodicals and entertainment	222	218	85	26
Other operating expenses	88	1 996	51	212
Loss on disposal of property and equipment	-	182	-	34
Unrealised exchange losses	-	300	-	37
Bad debts written off	-	757	-	113
	212 130	**225 845**	**87 625**	**27 880**

26.1 Employee benefit expenses

	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'000
Salaries and wages	38 507	62 610	13 146	7 681
Pension costs (note 29)	4 464	7 227	1 529	888
Staff bonus	5 357	6 658	2 356	848
National Social Security Authority Scheme Costs	469	1 124	144	138
Medical aid expenses	5 080	6 667	2 678	820
School fees allowances	2 074	2 358	596	275
Government training levy	1 097	1 496	423	183
Retention allowances	7 951	2 064	5 418	332
Gratuities	1 114	432	1 032	50
Housing and other allowances	4 966	4 717	1 183	587
Workmen's compensation	430	750	154	93
Training expenses	3 332	3 403	1 481	419
Staff refreshments expenses	1 170	1 079	576	135
Staff uniforms	1 799	115	722	13
Staff commission	515	1 312	158	162
Movement in provision for leave pay (note 19.1)	2 323	2 868	764	335
Recruitment costs	50	156	24	18
Group accident insurance	44	130	23	19
Sports and recreation	337	400	114	50
	81 079	**105 566**	**32 521**	**13 046**

The average number of persons employed by the Bank during the year was 478 (2018:466)

27 COMMITMENTS AND CONTINGENCIES

27.1 Loan facility commitments

	INFLATION ADJUSTED 2019 ZWL'000	INFLATION ADJUSTED 2018 ZWL'000	HISTORICAL COST 2019 ZWL'000	HISTORICAL COST 2018 ZWL'000
Facility commitments approved but not drawn down	8 346	15 349	8 346	2 471
Maturity analysis				
Due between 1 month and 3 months	**8 346**	**15 349**	**8 346**	**2 471**

Commitments to lend are agreements to lend money to a customer in future, subject to certain terms and conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of the agreed facility limits by giving reasonable notice to the customer. The following represents the contractual amounts of the Bank's off statement of financial position financial instruments, which commit the Bank to extend credit to customers.

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED DECEMBER 2019

AGRIBANK
Your all weather bank

27.2 Financial guarantees

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL '000	2018 ZWL '000	2019 ZWL '000	2018 ZWL '000
Guarantees	153	3 242	153	522
Maturity analysis				
Due within 1 month	48	696	48	112
Due between 1 month and 3 months	75	193	75	31
Due between 3 months and 1 year	30	2 161	30	348
Due between 1 year and 5 years	-	191	-	31
	153	**3 242**	**153**	**522**

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit guarantees and acceptances.

28 PENSION AND RETIREMENT BENEFITS

The Bank operates a defined contribution pension plan administered by Marsh Employee Benefits Zimbabwe (Private) Limited. The Bank and employees contribute 12.7% and 7.5% of qualifying salaries respectively. The assets of the fund are held in a separate trustee administered fund.

In addition, the National Social Security Authority Scheme ("NSSA") was introduced on 1 October 1994 and with effect from that date all employees became members of the scheme to which both the employees and the Bank contribute. The Bank's obligations under the scheme are limited to specific contributions as legislated from time to time.

The amounts recognised in the income statement as contributions by the Bank to the plans during the year are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Pension costs	4 464	7 227	1 529	888
National Social Security Authority scheme	469	1 124	144	138
	4 933	**8 351**	**1 673**	**1 026**

29 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows liabilities arising from financing activities for which cash flows were, in the statement of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	2018 ZWL'000	Cash flows ZWL'000	Interest accrued ZWL'000	Deferred Upfront and raising fees ZWL'000	2019 ZWL'000
Long-term borrowings	32 743	(10 212)	3 053	336	25 926
Total liabilities from financing activities	**32 743**	**(10 212)**	**3 053**	**336**	**25 926**

30 RELATED PARTIES

The Ministry of Finance and the Ministry of Agriculture who each hold 50% of the Bank's shares control the Bank jointly. Other related parties are those entities who share common shareholders with the Bank.

Year-end balances arising from transactions with related parties are as follows;

30.1 Deposits from related parties

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
National Social Security Authority	-	18 634	-	3 000
National Aids Council	6 081	25 244	6 081	4 064
Agricultural Marketing Authority	2 046	13 454	2 046	2 166
Lupane State University	-	10 783	-	1 736
Reserve Bank of Zimbabwe	11 352	269 170	11 352	43 334
Tobacco Research Board	4 094	-	4 094	-
National Building Society	-	10 559	-	1 700
Municipality of Chinhoyi	-	335	-	54
Municipality of Chegutu	-	727	-	117
Rural Electrification Agency	767	4 503	767	725
Grain Marketing Board	49 117	615	49 117	99
Tobacco Industry and Marketing	1 629	8 007	1 629	1 289
Post Office Savings Bank		6 211	-	1 000
Industrial Development Corporation of Zimbabwe	47 045	-	47 045	-
	122 131	**368 242**	**122 131**	**59 284**

30.2 Commission income

	2019 ZWL '000	2018 ZWL '000	2019 ZWL '000	2018 ZWL '000
Reserve Bank of Zimbabwe	**4 058**	**6 556**	**1 394**	**801**

Commission income from related parties relates to agency commission received Received from the Reserve Bank of Zimbabwe.

30.3 Key management compensation

	2019 ZWL'000	2018 ZWL'000	2019 ZWL'000	2018 ZWL'000
Directors' fees	882	835	398	131
Short-term employee benefits	13 354	6 307	6 026	2 650
	14 236	**7 142**	**6 424**	**2 781**

Key management includes directors, both executive and non-executive. Loans and advances to directors were at the Bank's normal lending rates, terms and conditions. There were no expected credit losses required for loans and advances to directors.

AGRIBANK

Your all weather bank

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED DECEMBER 2019

31 GOING CONCERN

There is material uncertainty in the use of the going concern assumption underlying the preparation of these financial statements due to the following

- The Bank reported an inflation adjusted loss of ZWL293.5 million (historical cost of ZWL29.4 million profit) for the year ended 31 December 2019 (2018: ZWL 38.5million profit, historical $12.9 million profit.

- The Reserve Bank of Zimbabwe reviewed upwards the minimum capital threshold for Tier 1 banks to the equivalent of US$30 million by 31 December 2020 to ensure continued stability and soundness of the financial services sector. As at the reporting date the Bank had US$ equivalent capital of US$6.4million representing a gap of US$23.6million. The Bank has engaged with the Ministry of Finance requesting financial assistance to achieve the new Tier 1 capital requirement by 31 December 2020 and as at the date of this report the response from the Ministry of Finance was outstanding.

- As at the reporting date, the Bank was in breach of its loan agreement with IDC South Africa and had an outstanding foreign debt of US$25 9million. The Directors are in the process of discussing a restructuring of the loan with IDC South Africa. Statutory Instrument 33 of 2019 introduced RTGS Dollar a currency, which was pegged at 1:1 to the United States Dollar with effect from 22 February 2019. The Bank subsequently registered the IDCSA legacy debt with the Reserve Bank of Zimbabwe (RBZ) under the provisions of the Monetary Policy of February 2019 Section 2;1iv which was approved. To date the Bank has paid ZWL25.5million in respect of this arrangement. The Bank recognised a receivable ZWL$403 million from the Reserve Bank of Zimbabwe ("RBZ") for funding the Bank's foreign liability (IDC SA line of credit) funding gap.

As at the date of this report the Bank has not received funding from the RBZ with the respect to the foreign liability funding gap however IDC South Africa has not recalled the loan as stipulated in the loan agreement where there is an event of default. The Directors believe that they do not have any reason to believe that there could be default by the RBZ based on the terms being negotiated.

- The uncertainty as to the future impact on the Bank of the recent COVID-19 outbreak has been considered as part of the Bank's adoption of the going concern basis. Until the recent lockdown, the Bank has not observed any material impact on the business due to COVID-19 based on the first quarter results.

The facts above indicate that there may a material uncertainty relating to the Bank's ability to continue as a going concern and may not be able to realise its assets and discharge it liabilities in the normal course of business.

The Directors have assessed the ability of the Bank to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. Furthermore, the Directors believe that under the current economic environment, a continuous assessment of the ability of the Bank to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

32 EVENTS AFTER REPORTING DATE

i. Mr. S.M.T. Malaba the Chief Executive Officer retired from the Bank with effect from 31 January 2020. Mr. E. Chimbera –Executive Director Finance was appointed Acting Chief Executive Officer with effect from 1 February 2020.

ii. The Reserve Bank of Zimbabwe reviewed upwards the minimum capital threshold for Tier 1 Banks to the equivalent of US$30 million by 31 December 2020 to ensure continued stability and soundness of the financial services sector. There are various options available to the Bank that will enable it to achieve the Tier 1 capital requirement by 31 December 2020 as mentioned in note 31 above.

iii. The COVID-19 pandemic was declared a global disaster post the Bank's year end that saw many countries implementing lock down for periods in excess of two weeks in order to contain the spread of the disease. The pandemic will have both macro and micro economic effects to the world at large. Most countries closed their borders and that constricts the flow of exports and imports and that will have a direct impact on nations' Gross Domestic Products (GDPs). Management has assessed the impact of this pandemic the Bank's performance as well as going concern as highlighted above.

The major impact of the COVID-19 pandemic on the Zimbabwe economy has been on the tourism sector due to the travel bans in various countries. As at 31 December 2019, the Bank didn't have exposure to the tourism sector. Significant exposure to the Bank is related to individuals at 45% followed by the agricultural sector at 37%. The exposure to agriculture is mainly concentrated on tobacco value chains to Merchants, small holder farmers and contract growing. The main export market of Zimbabwe tobacco is China. The opening of tobacco auction floors was delayed due to impact of Covid-19 and the lockdown as per Government directive. The Tobacco Industry and Marketing Board (TIMB) has been working to set guidelines to prevent the spread of Covid-19 during the tobacco selling season. The Bank expects its customers to sell their tobacco produce during the coming selling season. China, the major buyer of Zimbabwe tobacco, and once the epicenter of the Covid-19 pandemic is now re-opening factories and shops and we expect an improvement in its business and economic activity.

The Bank has performed stress tests on the impact that the pandemic may have on the performance of its loans and advances. The Bank will continue conducting periodic stress tests on its loan assets to assess requisite levels of preparedness, magnitude and potential negative impact. As the pandemic evolves, there is an expectation of repayment delays and/or requests to restructures some loans due to incapacitation of some of our clients.

As a continuity measure the Bank encouraged its customers through various communication channels to transact using electronic channels and cards. The intention of this will be to minimise the decline in transactions volumes. The Bank has also put in some measures to manage credit risk at sector and customer level to minimise the credit risk impact.

There were no events noted after reporting date that require adjustments in the financial results of the Bank. As highlighted above, the Bank will not be spared from the effects of the pandemic. At this stage the Bank is however unable to quantify the impact of the pandemic on its performance.

AUDIT OPINION

These abridged audited financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by Deloitte & Touche. An adverse audit opinion has been issued thereon. The auditor's report, which has an adverse opinion in respect of;

- The impact of the incorrect date of application of IAS 21 'The Effects of Changes in Foreign Exchange Rates';
- The impact of a caveat made by professional valuers regarding the valuation of the Bank's investment property and land and buildings; and
- Recognition and measurement of the financial asset resulting from the foreign liability funding gap.

In addition to the above matter, the auditor's opinion contains a material uncertainty relating to going concern as well as the following key audit matters;

- Susceptibility of suspense accounts to fraudulent transactions;
- Processing of financial data using information technology systems; and
- Valuation of expected credit losses on financial assets.

The auditor's report has been made available to management and the directors of Agricultural Bank of Zimbabwe. The engagement partner responsible for the audit was Charity Mtwazi