2019 ANNUAL REPORT

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VISION

To be a credible, transformative and responsive central bank that contributes to the economic development of Zimbabwe.

MISSION

To achieve and maintain price and financial system stability to foster sustainable and inclusive economic development.

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Governor's Overview

John Panonetsa Mangudya

This **Annual Report** provides an outline of the role of the Reserve Bank of Zimbabwe (the Bank or RBZ) in its mandate of price and financial system stability. The Report also presents the audited financial statements of the Bank for the year ended 31 December 2019.

The year 2019 was quite challenging for the Zimbabwean economy in terms of inflation and the adverse effects of the devastating drought and cyclone Idai. As a result of these negative developments, the economy declined by 6.5% in 2019, weighed down by negative growth in key sectors, such as agriculture, mining, manufacturing and distribution, hotels, and restaurants. Sectors such as manufacturing took a knock, following the decline in agriculture, due to the forward and backward linkages between the two sectors.

Year on year inflation which stood at 5.8% in December 2018 increased significantly to close at 521.3% in December 2019 mainly as a result of the shocks associated with the currency reforms pursued by Government in 2019 to rebalance the economy. Thus after having experienced economic stability based on a fixed exchange rate multi-currency system for a decade, the country's currency reform journey which started in October 2018 through the reclassification of foreign currency accounts - separation of physical and virtual USD balances – and subsequently by the establishment of an interbank market for foreign exchange in February 2019, was perceived negatively by consumers and business. The anxiety or negative perceptions led to the sharp depreciation of the local currency from ZW$2.5 to the USD in February 2019, at the commencement of the interbank foreign exchange market, to ZW$16 to the USD by the end of 2019.

The pass-through effects of the depreciation of the currency was quite severe on inflation, leading to the erosion of value of wages, salaries, savings and pensions. These challenges were exacerbated by the devastating effects of the drought which reduced the supply of staple food items - maize and wheat - and electricity generation at Kariba Dam. Cyclone Idai, on the other hand, displaced a number of people, especially in Chimanimani and Chipinge, thus increasing food insecurity in an already bad economic environment.

The practice of forward pricing became the norm within the national economy as business tried to hedge against further price increases and by so doing further stoking inflation. People's expectations of future inflation therefore became an important contributor to the rise of inflation. These non-monetary/behavioural factors were understandably grounded on the premise of the public's past negative experiences with inflation during 2006 to 2008.

Dealing with the pass-through effects of the volatile exchange rate on the level of inflation therefore became paramount for the Bank. The Bank had to double its efforts to deal with the scourge of inflation and putting in place a robust communication strategy to deal with the panic-driven inflation.

The Bank chose to deal with the high level of inflation through the monetary targeting framework according to which the Bank manages money supply, especially reserve money, as an operating target to influence the ultimate objective of price stability. A quarterly growth rate target of 30% in reserve money was thus adopted by the Bank in its quest to contain inflationary pressures. Pursuit of this policy was met with mixed results as reserve money grew by 50% in the last two quarters of 2019 as compared to conservative growth rates of 15% and 20% in the first and second, respectively.

The measures pursued by the Bank were buttressed by the establishment of a Monetary Policy Committee (MPC) in September 2019 to deal specifically with price stability and to improve policy transparency and predictability and certainty through its focus on the core mandate of the Bank.

The Bank also continued to deepen its thrust of promoting a cash-lite society, in view of the cash shortages in the economy and the broader Fintech wave engulfing the financial landscape, as shown by the quantum leap in the usage of plastic money, electronic and mobile money payment systems by the transacting public. Specifically, the use of plastic money in terms of value, volume, devices, and access points rose drastically during the year to the extent that around 85% of the total number of financial transactions were conducted through digital and mobile banking platforms.

Notwithstanding challenges brought about by the harsh operating environment characterised by rising inflation, foreign currency shortages and speculative tendencies on the parallel market, the banking sector exhibited resilience in 2019 on the back of adequate capitalisation, sustained earnings performance and satisfactory asset quality.

The financial statements of the Bank attached to this Report show that the Bank made an operation surplus of ZW$130 million in 2019. The operational surplus however reversed into a loss position of ZW$2.9 billion due to exchange losses associated with the currency reforms.

In line with the Bank's Act such exchange losses are on account of Government.

A new Board of Directors and MPC were put in place in September 2019 to replace the one whose tenure had expired in July 2019. The Board is composed of ten members whilst the MPC had eight members.

I would therefore like to take this opportunity to bid farewell to all the Board members who retired from the Board of Directors of the Bank in July 2019 and to express my deep gratitude to the new Board of Directors and members of the MPC for their dedication and resolute to strengthen the Bank's compliance, risk management and control functions.

John Panonetsa Mangudya
Governor

Outgoing Board of Directors of the Reserve Bank of Zimbabwe whose tenure expired at the end of June 2019

Dr. J. P.Mangudya	**Governor & Chairman**
Mrs. R. Likukuma	**Deputy Chairman**
Dr. C. L. Dhliwayo	**Deputy Governor**
Dr. K. Mlambo	**Deputy Governor**
Mrs. P.Chapendama	**Director**
Mr. Z. R. Churu	**Director**
Mr. A. Maboyi	**Director**
Mr. C. R. Maradza	**Director**
Mrs. V. Mudimu	**Director**
Mr. O. J. S. Mukumba	**Director**
Mr. L. Murahwa	**Director**
Mr. J. S. Mutizwa	**Director**
Mr. M. Z. Nyabadza	**Director**

A new Board of Directors was appointed in terms of the Reserve Bank of Zimbabwe Act [Chapter 22:15] with effect from 10th September 2019. The new Board comprised of the following members: -

Dr. J. P.Mangudya	**Governor and Chairman**
Mr. K. K. Katsande	**Deputy Chairman**
Dr. J. T. Chipika	**Deputy Governor**
Dr. K. Mlambo	**Deputy Governor**
Mrs. M. Dzumbunu	**Director**
Mr. Z. R. Churu	**Director**
Mr. E. I. Manikai	**Director**
Mr. B. Moyo	**Director**
Mrs. E. Fundira	**Director**
Dr C. M. Fundanga	**Director**
Prof. J. Parwada	**Director**
Prof. L. M. Sibanda	**Director**
Ms. B. Muswaka	**Director**

The Bank continued to have in place the following Board committees as required by the Reserve Bank of Zimbabwe Act during the course of 2019: -

a) Audit & Oversight Committee,
b) Banking Sector Stability Committee, and
c) Human Resources & Governance Committee.

During the course of 2019, both the Board and its Committees managed to meet as scheduled as indicated below: -

a) The Board met four times; on 27th March 2019, 19th June 2019, 18th September 2019 and 27th November 2019.
b) The Board Committees met as follows: -
   i. Audit & Oversight Committee met on 20th March 2019, 29th May 2019, 4th September 2019 and 25th November 2019.
   ii. Banking Sector Stability Committee met on 27th February 2019, 29th May 2019, 4th September 2019 and 30th October 2019.
   iii. Human Resources & Remuneration Committee met on 27th February 2019, 29th May 2019, 4th September 2019 and 30th November 2019.

The Outgoing Board Members

Dr. J. P.Mangudya
Governor and Chairman

Mrs. R. Likukuma
Deputy Chairperson

Dr. K. Mlambo
Deputy Governor

Dr. J.T. Chipika
Deputy Governor

Mr. J. S. Mutizwa
Director

Mrs. V. Mudimu
Director

Amb. Dr. A. Maboyi
Director

Mr. C.R. Maradza
Director

Mr. O. J. S. Mukumba
Director

Mr. L. Murahwa
Director

Mr. M. Z. Nyabadza
Director

Mrs. P.Chapendama
Director

Mr. Z. R. Churu
Director

The Incoming Board, effective 10th September 2019

Dr. J. P.Mangudya
Governor and Chairman

Mr. K. Katsande
Deputy Chairman

Dr. J. T. Chipika
Deputy Governor

Dr. K. Mlambo
Deputy Governor

Prof. J. Parwada
Director

Mr. Z. R. Churu
Director

Dr. C. M. Fundanga
Director

Ms. B. Muswaka
Director

Mr. E. I. Manikai
Director

Mrs. M. Dzumbunu
Director

Mrs. E. Fundira
Director

Prof. L. M. Sibanda
Director

Mr. B. Moyo
Director

Monetary Policy Committee

In terms of section 29B of the Reserve Bank of Zimbabwe Act [Chapter 22:15], His Excellency, The President of the Republic of Zimbabwe, in consultation with the Minister of Finance & Economic Development appointed a Monetary Policy Committee of the Reserve Bank of Zimbabwe with effect from the 10th of September 2019. The primary mandate of the MPC include ensuring price stability and assisting in the formulation of the Bank's monetary policy.

The Committee comprised of the following members: -

Dr. J. P. Mangudya	**Governor & Chairman**
Mr. K. K. Katsande	**Deputy Chairman**
Dr. J. T. Chipika	**Deputy Governor**
Dr. K. Mlambo	**Deputy Governor**
Prof. A. Chakravarti	**Member**
Mr. D. Munatsi	**Member**
Mr. E. Cross	**Member**
Ms. M. Ngwenya	**Member**

During the course of 2019, Committee managed to meet three times; on 29th October 2019, 15th November 2019 and 29th November 2019.

Monetary Policy Committee

Dr. J. P.Mangudya
Governor and Chairman

Mr. K. Katsande
Deputy Chairman

Dr. J. T. Chipika
Deputy Governor

Dr. K.Mlambo
Deputy Governor

Prof. A. Chakravarti
Member

Mr. E. Cross
Member

Ms. M. Ngwenya
Member

Mr. D. Munatsi
Member

Senior Management

Dr. J. P. Mangudya
Governor and Chairman

Dr. J. T. Chipika
Deputy Governor

Dr. K. Mlambo
Deputy Governor

Mr. J. Mafararikwa
Director, Economic Policy & Research

Mr. A. J. Manase
Bank Secretary & Director Legal & Corporate Affairs

Mr. A. Saburi
Director, Financial Markets

Ms. T. Hungwe
Director, Finance

Mr. E. Rwatirera
Director, Human Resources & Support Services

Mr. N. Mataruka
Director, Bank Supervision

Mr. F. Masendu
Director, Exchange Control

STATEMENT ON CORPORATE GOVERNANCE

The Board of the Bank is committed to upholding the tenets of good corporate governance, which include accountability, transparency and integrity in its governance processes.

The Board is responsible for formulating the policies of the Bank. In terms of the Reserve Bank of Zimbabwe Act [Chapter 22:15], the Board consists of the Governor, the two Deputy Governors, a person employed in the Ministry of Finance appointed by the Minister and not fewer than five or more than nine non-executive directors. The Governor is the Chairperson of the Board whilst the Vice Chairperson is Non-Executive. The Act also provides for the Monetary Policy Committee whose responsibility is to manage the monetary policy of the Bank. The Committee consists of the Governor as chairperson, the two Deputy Governors, the deputy chairperson of the Board, and not less than five or more than seven other persons.

The Board has three standing committees that meet every quarter. These are the Audit and Oversight Committee, which is chaired by the Vice Chairperson of the Board, the Human Resources and Governance Committee and the Bank Sector Stability Committee. The Board and its Committees met four times, respectively, as stipulated in the Act in 2019, whilst the Monetary Policy Committee met on five occasions.

The Executive Committee (EXCO) which is composed of the Senior Management is responsible for managing the day-to-day activities of the Bank in pursuit of policies fomulated by the Board. During 2019, EXCO under the chairmanship of the Gorvenor, met on a weekly basis to drive, implement, asses and monitor the activities of the Bank

Throughout the year, the Bank conducted its business with integrity and fairness, transparency, making all necessary disclosures, complying with the laws of the land, and being accountable to its stakeholders in an ethical manner. The Bank supported various humanitarian, community, environmental and health- related activities as part of its corporate social responsibility. Notably, the Bank disbursed an equivalent of US$152 000 towards meeting the requirements under the devastating effects of cyclone Idai that affected the eastern part of the country, especially in Chimanimani and Chipinge.

Public Relations Department in the Bank Secretary's office inspecting goods earmarked for Cyclone Idal victims

1. GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS

1 Global economic activity slowed down in 2019, partly due to low global manufacturing and trade activity, weaker performance in Europe and Asia, as well as negative effects of the trade war between the United States and China. The prolonged uncertainty regarding Brexit posed vulnerabilities to the Eurozone and the rest of the global economy. The slower global manufacturing and trade activity also negatively affected international commodity prices.

2. Accordingly, the International Monetary Fund (IMF)'s World Economic Outlook Update (WEO) Report put global growth for 2019 at 2.9%, down from 3.6% in 2018. Table 1 summarizes global economic growth developments and prospects for selected regions and countries.

Table 1: Global Economic Growth & Outlook (%)

	2017	2018	2019 Projection
World Output	3.8	3.6	2.9
Advanced Economies	2.3	2.2	1.7
US	2.2	2.9	2.3
Euro Area	2.4	1.9	1.2
Japan	1.9	0.8	1.0
Emerging Market & Developing Economies	4.3	4.5	3.7
China	6.9	6.6	6.1
India	6.7	6.8	4.8
Sub-Saharan Africa	2.6	3.2	3.3
Zimbabwe	4.7	3.4	- 6.5
Latin America & the Caribbean	0.8	1.1	0.1

Source: IMF World Economic Outlook: January 2020 Update.

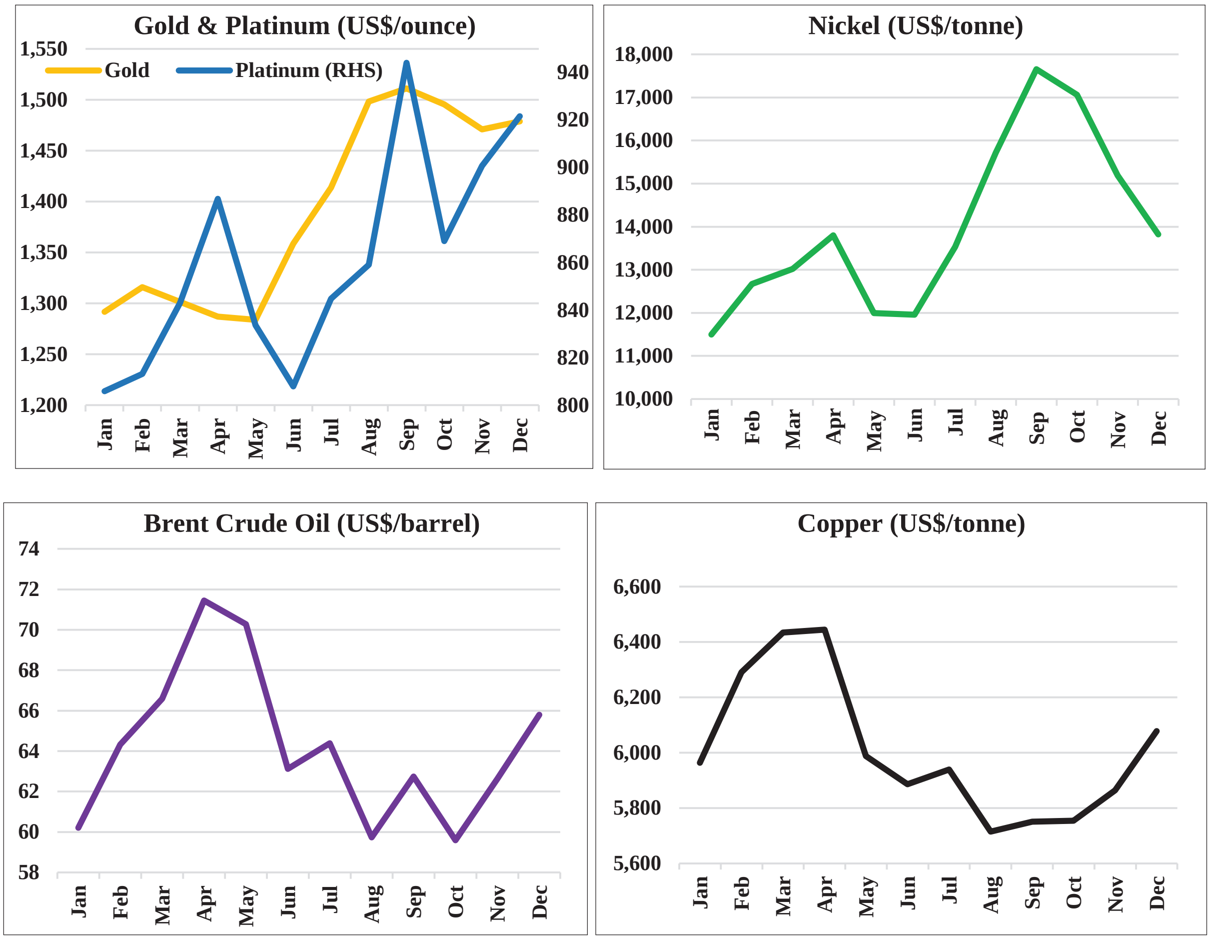
3. Economic growth in advanced economies slowed to 1.7% in 2019, while in emerging markets and developing economies, growth decelerated to 3.7% in 2019, from 4.5% in 2018. In sub-Saharan Africa, growth is estimated to have declined from 3.2% in 2018 to 3.1% in 2019, on the back of a more challenging external environment, continued output disruptions in oil-exporting countries, and weaker-than-anticipated growth in South Africa.

International Commodity Prices Developments

4. International prices of major commodities increased in 2019. Base metals posted price increases despite downswings during the year, occasioned by supply-side factors in some markets, coupled with risks posed by the protracted trade tensions between the United States and China. In particular, nickel prices firmed by more than 20%, largely due to strong demand for electric vehicles that use batteries made from the base metal. Furthermore, the positve demand outlook prompted by prospects of a fiscal stimulus in China, the world's largest consumer of base metals, supported the prices of other metals, including copper.

5. Precious metal prices were also strong, with the price of gold breaching the US$1,500 per ounce mark in the third quarter of 2019, supported by the safe-haven demand. This followed monetary policy easing by the Federal Reserve, which induced investors to shift focus to gold bullion as a safe- haven and alternative investment asset. In addition, prospects of slower global growth and escalating trade tensions between the United States and China supported the firming up of prices of precious metals. Figure 1 shows the evolution of international prices for selected commodities for the period January to December 2019.

Figure 1: International Commodity Prices: 2019



Source: World Bank and Bloomberg, 2019

6. Brent crude oil prices were generally firm during the year, largely on account of tight supply conditions, occasioned by production disruptions in the Middle East and the decision by the Organization of Petroleum Exporting Countries (OPEC) to continue with their production cuts. Furthermore, crude oil production in the United States which was weaker in 2019 compared to levels attained in 2018, greatly conspired with supply cuts elsewhere, to spur the oil price rise.

International Financial Makert Developments

7. The international financial markets were largely characterized by volatility and a search for safe-haven assets in 2019. The US and China trade war was the primary driver of investor sentiment in 2019. Concerns about the British exit negotiations from the European Union and slowdown in the Chinese economy as well as the global economy also played a key role in driving international financial markets.

8. Global central banks were largely on a monetary easing path as evidenced by 132 interest rate cuts, against 21 interest rate hikes in 2019. The US Federal Reserve Bank (Fed Res) cut its benchmark rate three times in 2019, with all rate cuts coming in the second half of 2019. Closer home, the South African Reserve Bank (SARB) cut its key policy rate, the repo rate, once in July 2019.

9. Expectations at the end of 2019 were that key central banks, such as the Fed Res and the European Central Bank would at least keep interest rates unchanged for the first quarter of 2020.

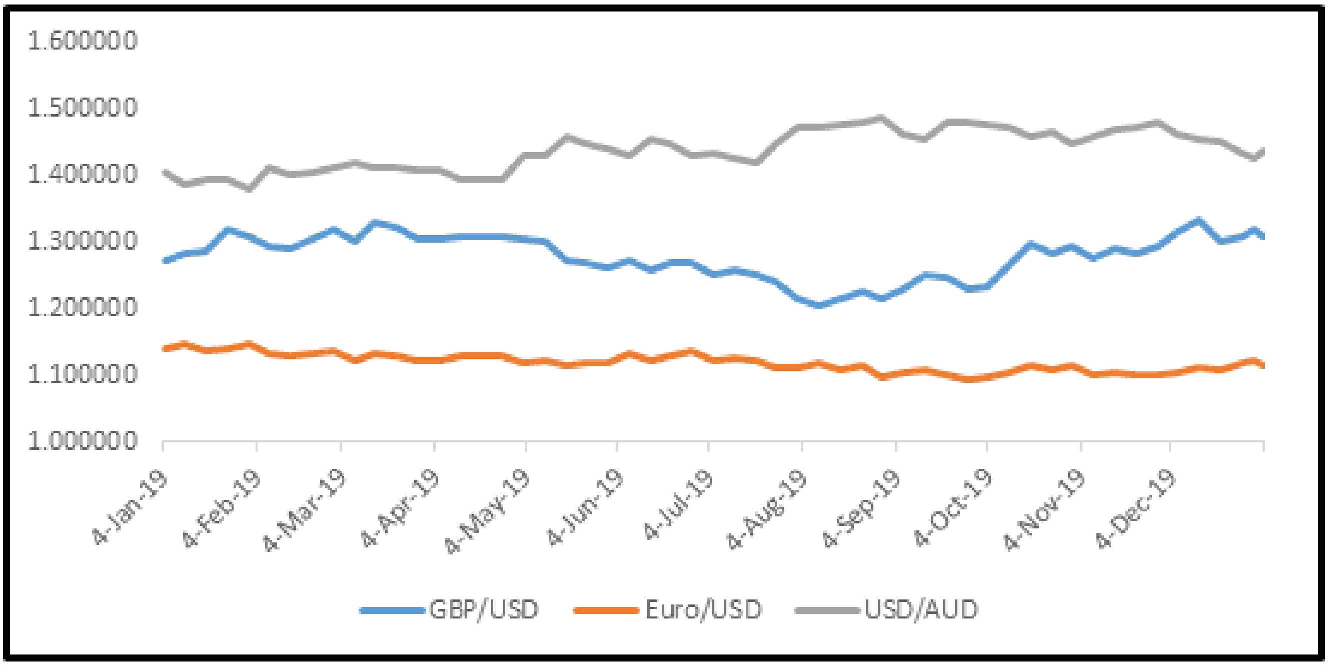
10. Reflecting changes in world interest rates, the world's benchmark borrowing/lending rate, Libor also fell by between 0.75% to 1% across its maturities from Overnight to One-Year.

International Exchange Rates Developments

11. The US dollar was generally stronger against its major peer trading partner currencies in 2019, amidst concerns about the global economy and US-China trade war which lifted the safe-haven appeal of the dollar.

12. The greenback shed off 2.6% against the British pound (GBP) but appreciated by around 2.9% and 2.2% against the Australian dollar (AUD) and euro, respectively.

Figure 2: Exchange Rate Trends – USD vs GBP, Euro & AUD (2019)



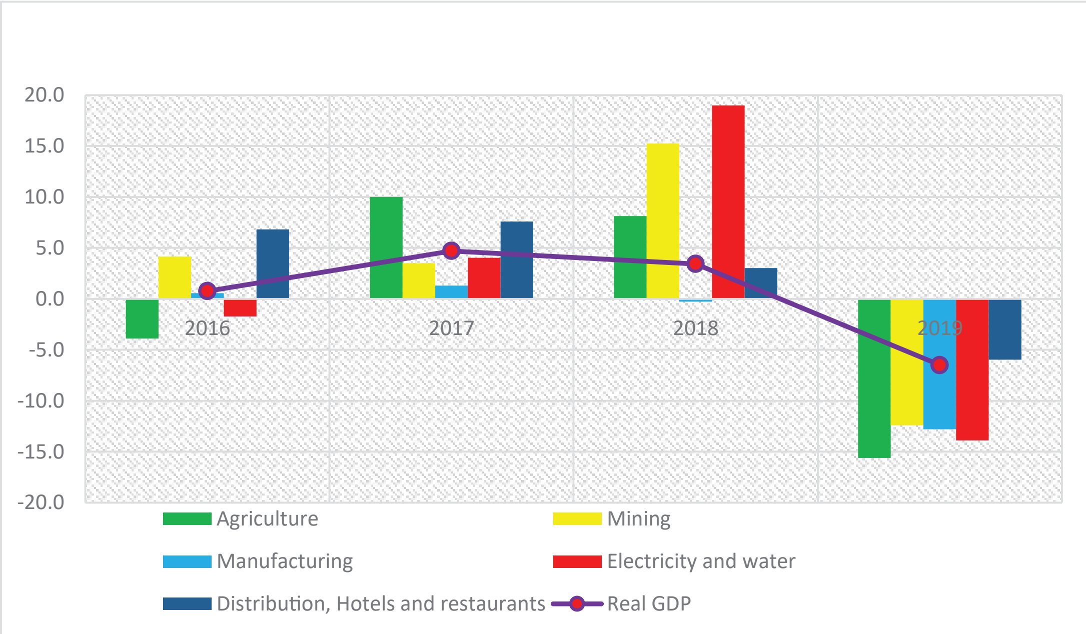
Source: Reuters, 2019

2. DOMESTIC MACRO-ECONOMIC DEVELOPMENTS

2.1 Real Sector Developments

13. The economy is estimated to have declined by about 6.5% in 2019, weighed down by negative growth in key sectors, namely agriculture, mining, manufacturing and distribution, hotels and restaurants. Agriculture, mining, and manufacturing sectors declined by more than 10%, as shown in Figure 3.

Figure 3 :Trends in Real GDP and Sectorial GDP Growth Rate (%)



Source: Reserve Bank of Zimbabwe & ZIMSTAT, 2019

Agriculture

14. Agricultural sector activity is estimated to have contracted by 15.6% in 2019, owing largely to the drought that negatively affected the performance of both the crops and livestock sub-sectors. The 2019/2020 agriculture season was characterised by the late on-set of rains across the country and the false-start of the season in the Southern parts of the country as well as long dry spells in January and February 2019.

15. The drought situation was worsened by the occurrence of Cyclone Idai, which destroyed lives, livelihood, crops, livestock, and agricultural and non-agriculture infrastructure in Manicaland and Masvingo Provinces. Resultantly, output of major crops such as maize, cotton, groundnuts, wheat, and sorghum declined significantly, compared to the previous season. The decline was, however, partially attenuated by the positive performance of the tobacco sub-sector in 2019.

Mining

16. The mining sector is estimated to have declined by about 12.4% in 2019, largely due to the underperformance of all key minerals compared to 2018. Major declines were recorded for diamond, 35%; coal, 18%; gold, 16%; chrome, 12%; nickel, 9%; platinum and palladium, 5%, among others, as shown in Table 2.

17. The mining sector was largely constrained by persistent foreign currency challenges, which adversely impacted the availability of power, fuel and imported consumables. Furthermore, the difficult macroeconomic environment characterised by rising inflation, worsened the operational costs of mining houses. Consequently, there was little investment for exploration to improve access to high ore grades, which are relatively less costly to process.

18. Delays in the implementation of the computerised mining cadastral system is also blamed for delays in resolving numerous mine disturbances and incidence of disputes over claim ownership and boundaries. These disputes resulted in suspension of mining activities in disputed areas as disputes took a long time to resolve.

Table 2 : Mineral Production Statistics

	2017	2018	2019	Output: 2018 vs 2019	Mineral Value 2019 (US$ million)
Gold (kgs)	26 494.75	35 054.41	29 428.61	-16.0%	1178.8
Platinum (kgs)	14 257.1	14 703.07	13 856.76	-5.8%	329.0
Palladium (kgs)	11 822.35	12093.72	11 639.58	-3.8%	480.1
Rhodium (kgs)	1 283.42	1 334.314	1 224.177	-8.3%	117.3
Iridium (kgs)	618.8617	586.1681	845.0217	44.2%	13.0
Ruthenium (kgs)	1 102.415	1 155.215	791.6402	-31.5%	10.6
Diamonds (cts)	2 507 862	3 252 418	2 119 189	-34.8%	216.7
Chrome (MT)	1 673 996	1 756 126	1 550 064	-11.7%	198.3
Nickel (MT)	16616.82	17 849.82	16 277.61	-8.8%	169.7
Copper (MT)	8 839.313	9 076.747	8 677.986	-4.4%	39.7
Cobalt (MT)	444.842	402.466	401.761	-0.2%	6.8
Coal (MT)	2 928 036	3 347 764	2 729 921	-18.5%	0.0
Lithium (MT)	45 220.26	76 517.27	62 622.83	-18.2%	3.1
Phosphate (T)	60 094	51 393	27 148	-47.2%	6.3
Granite	161 123.1	212 710.4	154 884.5	-27.2%	6.4
Total Mining Revenue (US$ million)					2 907.5

Source: Ministry of Mines, Chamber of Mines, 2019

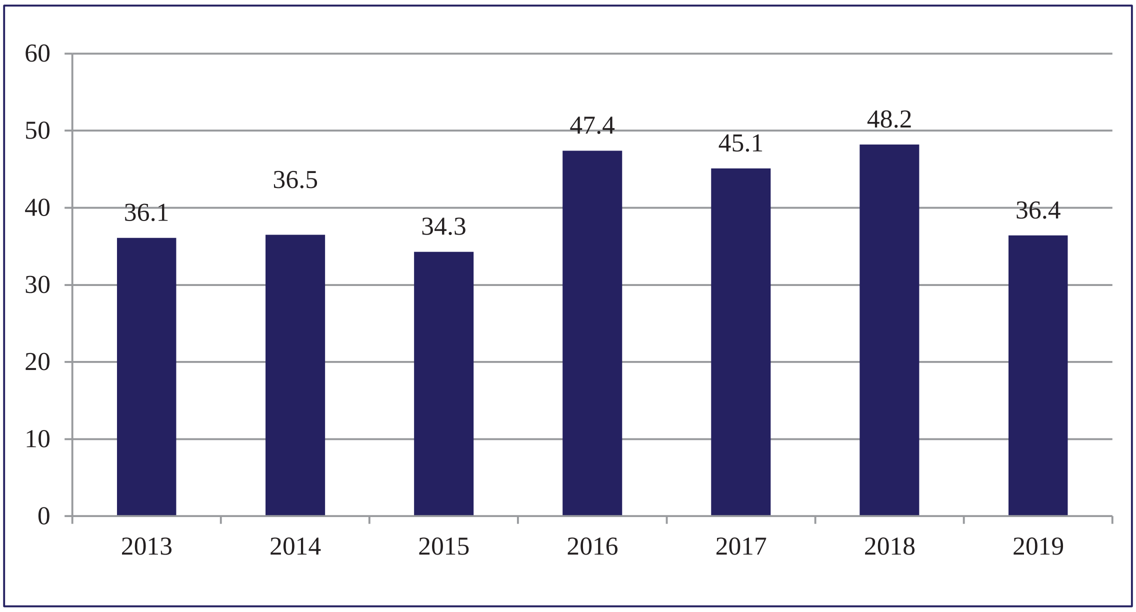
Manufacturing

19. The manufacturing sector is estimated to have declined by about 12.8% in 2019, largely due to sustained power shortages, declining aggregate demand and worsening foreign currency accessibility that constrained the importation of key raw materials.

Capacity Utilisation

20. According to the 2019 Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Survey, capacity utilisation declined to 36.4% in 2019, from 48.2% recorded in 2018. Overall, manufacturing sector output declined by 23% in 2019, compared to the 2018 output levels.

Figure 4: Manufacturing Sector Capacity Utilization (%)



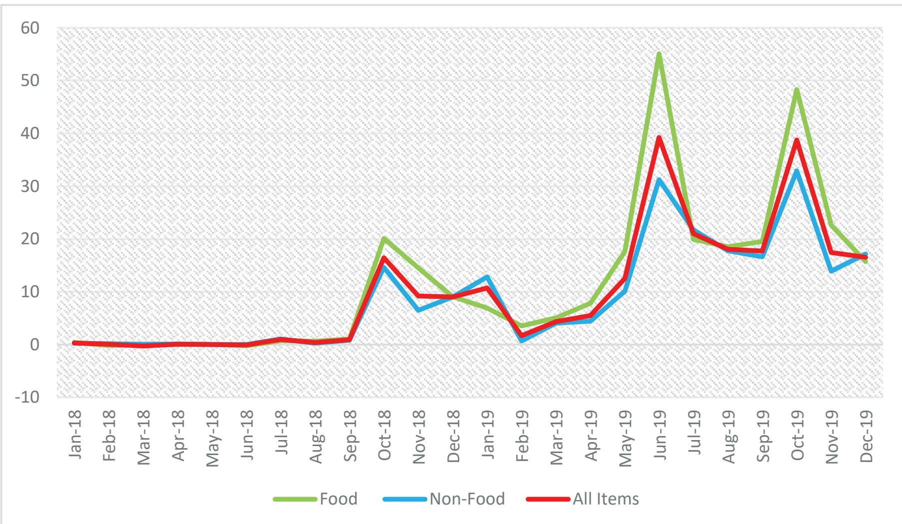
Source: CZI, 2019

2 . 2 Inflation Developments

2 1. The monthly inflation rate stood at 10.7% in January 2019, before increasing to around 39% in June and October 2019 and slowing down to 16.6% in December 2019. The peaks in June and October 2019, which were also evident for food and non-food inflation, coincided with shocks in the parallel market exchange rates, attributed to speculative activities.

22. Monthly inflation averaged 16.98% in 2019, up from 3.1% in 2018. Inflation was driven by numerous factors, key among them, adverse inflation expectations and speculative pricing by retailers. Figure 5 shows the monthly inflation developments in 2019.

Figure 5: Monthly Inflation Profile



Source: ZIMSTAT, 2019

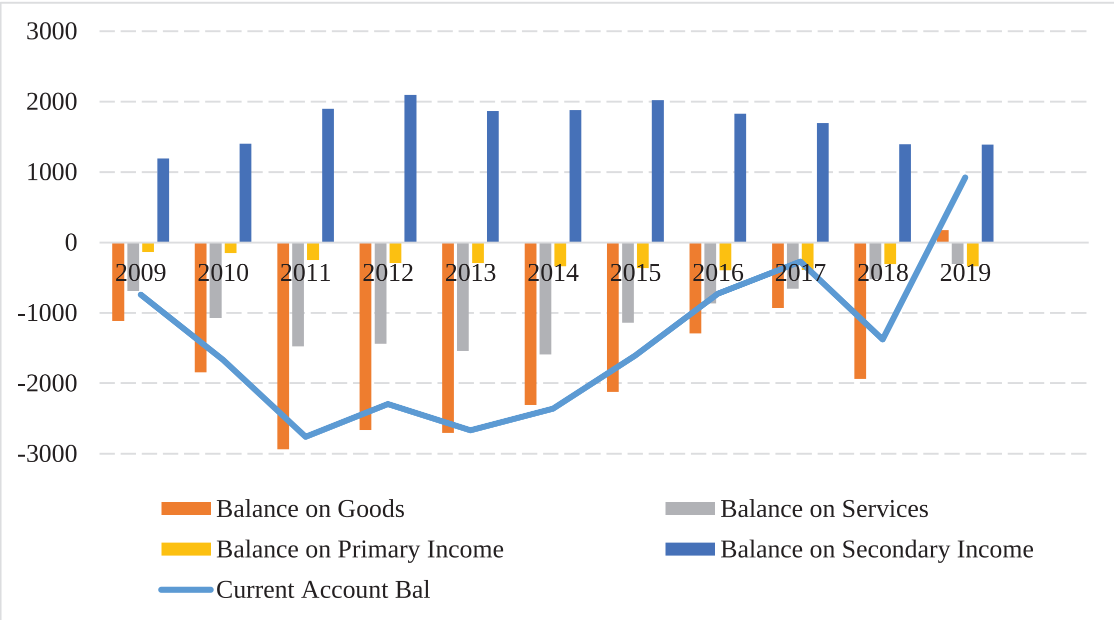
2.3 Balance of Payments

23. Balance of payments performance during 2019 marked a significant shift in the country's current account balance, from a deficit of US$1,379.6 million in 2018 to a surplus of US$920 million in 2019. This exceptional performance was significant for the country as it was the first current account surplus realized since 1999. The surplus in 2019 was a culmination of a 17% drop in global imports, against a marginal 0.5% growth in global exports.

24. The key drivers of the current account during 2019 were predominantly significant increases in transfers particularly diaspora remittances and the merchandise trade accounts, which closed the year in the positive territory at US$1,390.7 million and US$174.4 million, respectively.

25. The surplus on the merchandise trade account resulted from the 32% decline in imports, coupled with a marginal decline in exports of 0.28%. The out-payments towards services rendered by non-residents together with incomes paid abroad, however, continued to weigh negatively on current account performance. Figure 6 shows the current account trends from 2009 to 2019.

Figure 6: Drivers of the Current Account (US$ millions)



Source: Reserve Bank of Zimbabwe, 2019

Supply and Demand of Foreign Currency

26. Total foreign currency receipts for 2019 amounted to US$6.88 billion, compared to US$7.21 billion received during the same period in 2018, representing a decrease of 4.5%.

27. Total foreign payments decreased by 3.54% to US$4.3 billion in 2019, from about US$4.5 billion in 2018.

3. BANKING SECTOR, REGULATIONS AND SUPERVISION

3.1 Banking Sector and its Performance

28. Ensuring the stability and soundness of the financial system of Zimbabwe is one of the core mandates of the Bank. The maintenance of a sound and efficient financial system is critical for supporting a sustainable and productive economy.

29. The Bank issues regulations to promote prudent risk taking in the financial sector. Our regulatory focus in 2019 was to ensure that financial institutions remain proactive in managing risks while concomitantly fostering competition and innovation. In promoting a resilient and sound financial system, strong and effective supervision plays a critical role in complementing our regulatory activities.

30. Accordingly, the Bank undertook various regulatory and supervisory measures during the year to strengthen the financial sector bolster confidence and foster financial sector stability.

3 1. As part of aligning our regulatory framework with global best practice, significant efforts were taken to strengthen corporate governance and compliance, improve risk management practices, promote convergence of accounting standards for banks with IFRS.

32.. During the year, the Bank remained focused on facilitating innovations ad digitization in the delivery of products and services. As at 31 December 2019, there were 19 banking institutions and 232 non-bank financial institutions under the supervision of the Reserve Bank as shown in the table below.

Table 3: Architecture of the Banking Sector

Type of Institution	Number
Commercial Banks	13
Building Societies	5
Savings Bank	1
Total Banking Institutions	**19**
Other Institutions under the supervision of Reserve Bank	
Credit -only-MFIs	22 3
Deposit -taking MFIs [1]	7
Development Financial Institutions	2
Total Other Institutions	**232**

Lion Microfinance Limited was under Curatorship

CONDITION AND PERFORMANCE OF BANKS

33. Overall, the banking sector exhibited some resilience to a wide spectrum of risks on the back of adequate capitalisation, sustained earnings performance and satisfactory asset quality, notwithstanding the constraints in the operating environment.

34. The banking sector continued to play a critical role in the development trajectory of the Zimbabwe. The composition of the banking sector, however, remained largely unchanged. The performance of the sector for the year under review was satisfactory.

Capitalisation

35. All banking institutions were compliant with regulatory capital requirements. The sector had aggregate core capital amounting to $7.57 billion. The average capital adequacy and tier 1 ratios of 39.56% and 27.87% against regulatory minima of 12% and 8%, respectively. The growth in capital was largely attributed to capitalisation of retained earning

36. In order to bolster the resilience of banks and their ability to contribute to economic growth and development, banks are required to meet the new capital requirements effective 31 December 2021.

37. The Bank also continued to develop a framework for Basel 111 capital and liquidity as part of ongoing measures to enhance the stability and resilience of the financial system. The framework is designed to improve the quality, consistency and transparency of capital and reduce pro-cyclicality, as well as enhance liquidity management.

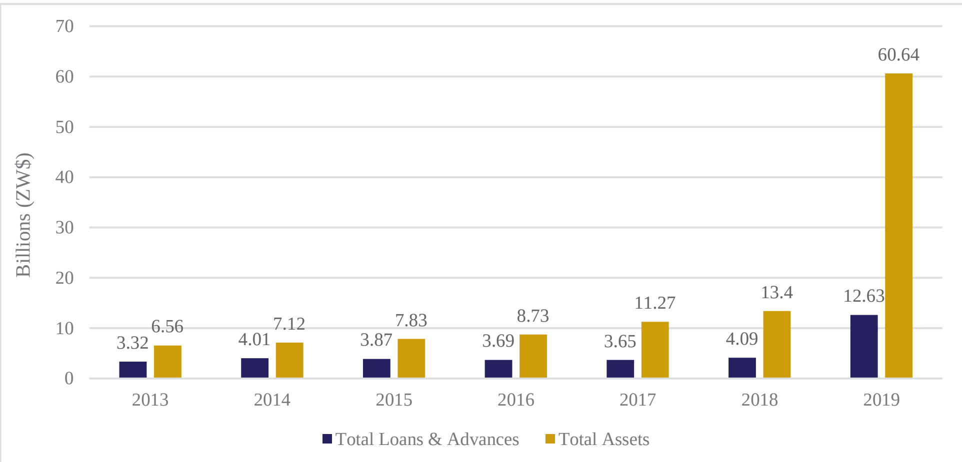
38. As part of the Basel 111 implementation process and in line with international best practice, the Bank completed and issued the Domestic Systemically Important Banks (D-SIBs) framework. The framework provides guidance on the identification, monitoring and management of local systemically important banking institutions.

Asset Quality

39. The monitoring of asset quality by banks and the Bank was enhanced during the year in view of high inherent credit risk emanating from macroeconomic fundamentals in the country. Thematic reviews on asset quality were undertaken both off-site and onsite.

40 The banking sector's lending support to households and the real sector increased to $12.63 billion. The position is an improvement in intermediation from $4.09 billion in 2018. The figure below shows the trend in banking sector loans and advances from 2013 to 2019.

Figure 7: Trend in Banking Sector Loans and Advances



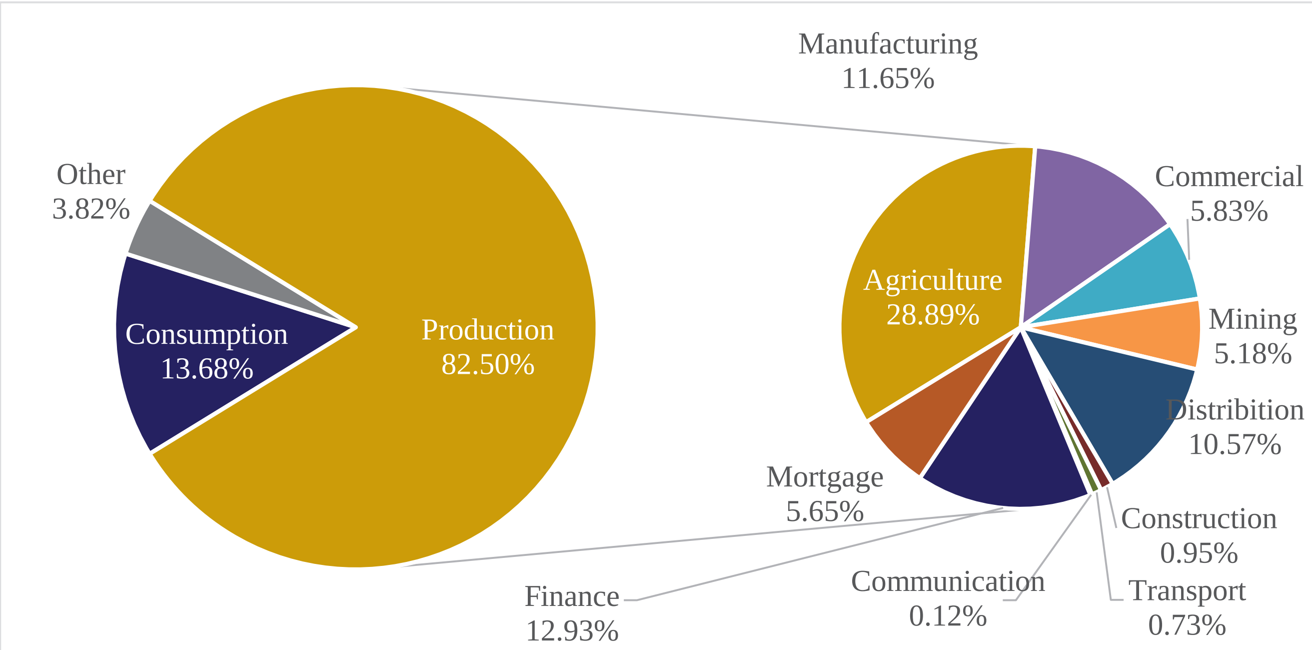
Source: Reserve Bank of Zimbabwe, 2019

41. The commercial banking sub-sector accounted for 83.35% of the total banking sector loans and advances, while the top five (5) banking institutions accounted for 65.68% of the total sector loans, compared to 48.60% in 2018.

Distribution and Performance of Loans

42. Lending to productive sectors constituted 82.50% of total loans, as shown in the figure below.

Figure 8: Sectoral Distribution of Loans



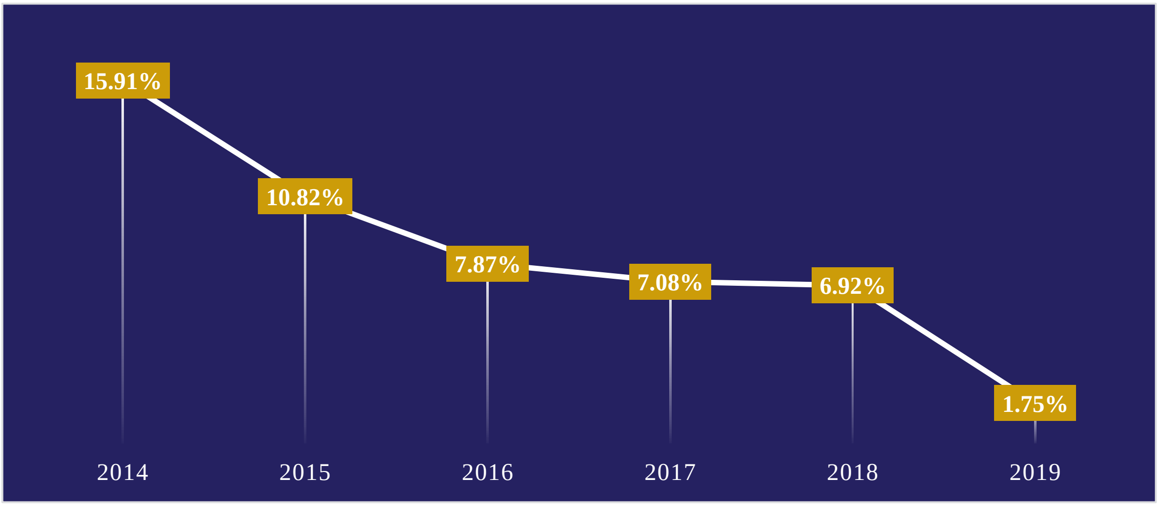
Source: Reserve Bank of Zimbabwe, 2019

43. The quality of the banking sector loan portfolio improved during the period under review as eflected by the ratio of non-performing loans to total loans ratio (NPLs) of 1.8% in 2019, from 6.9% in 2018.

44. Households and the agriculture sector recorded the highest levels of NPLs constituting 29.9% and 28.0% of total loans, respectively in 2019 largely attributed to high levels of over-borrowing among individuals and the poor agriculture season.

45. Figure 9 shows the trend in the level of non-performing loans from 2014 to 2019.

Figure 9: Non-performing loans ratio trend (%)



Source: Reserve Bank of Zimbabwe, 2019

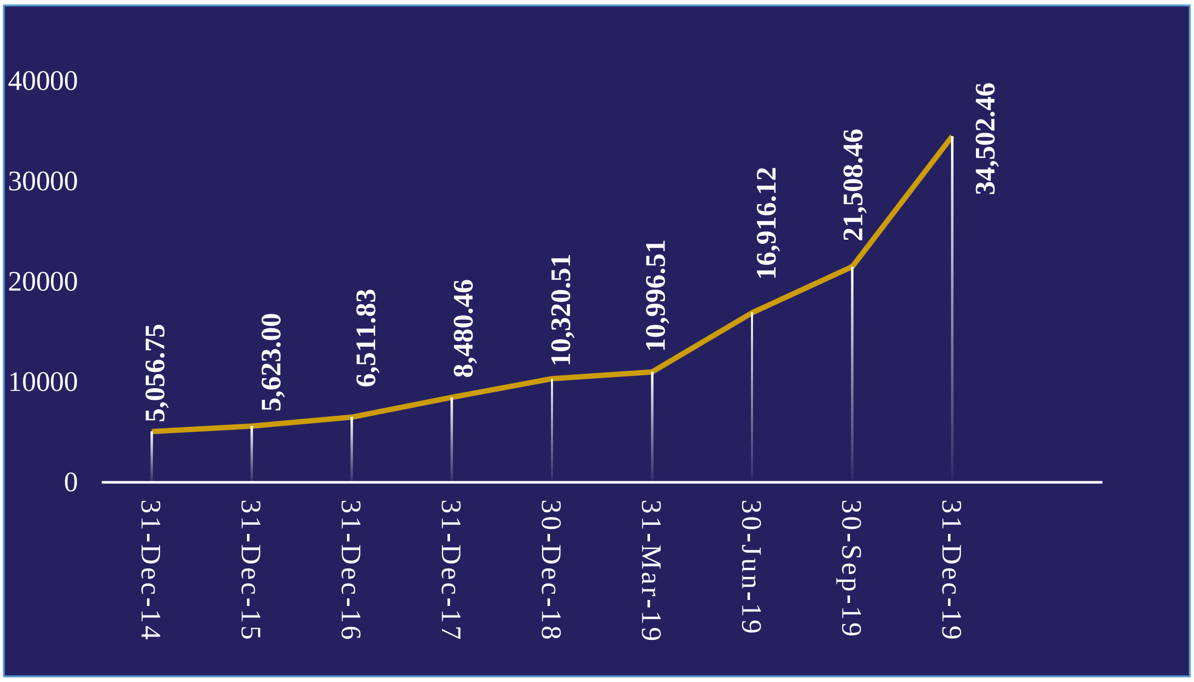
46 The improvement in the average NPLs ratio was largely attributed to a combination of growth in the loan book and a decline in the quantum of non-performing loans, from $283.0 million to $221.6 million during the period under review.

47. Further, the banking sector has benefited from an enhancement of the credit reference environment over the last few years, which now comprises a credit registry in the central bank and three credit bureaus. The credit bureaus hold in excess of 13 million records among them while the Credit Registry, which currently specialises in banking sector loan records, has over 1.5 million records. Usage levels by both bank and non-bank institutions continues to increase steadily.

Liquidity Risk and Funds Management

48. The Bank continued with its role to monitor liquidity risk and funds management in the sector, against set thresholds and best practices. Banking sector deposits continued on an upward trajectory in 2019, closing the year at $34.50 billion in 2019, up from $10.3 billion recorded in 2018 as shown in Figure 10. The increase, largely reflects revaluation of foreign currency denominated deposits.

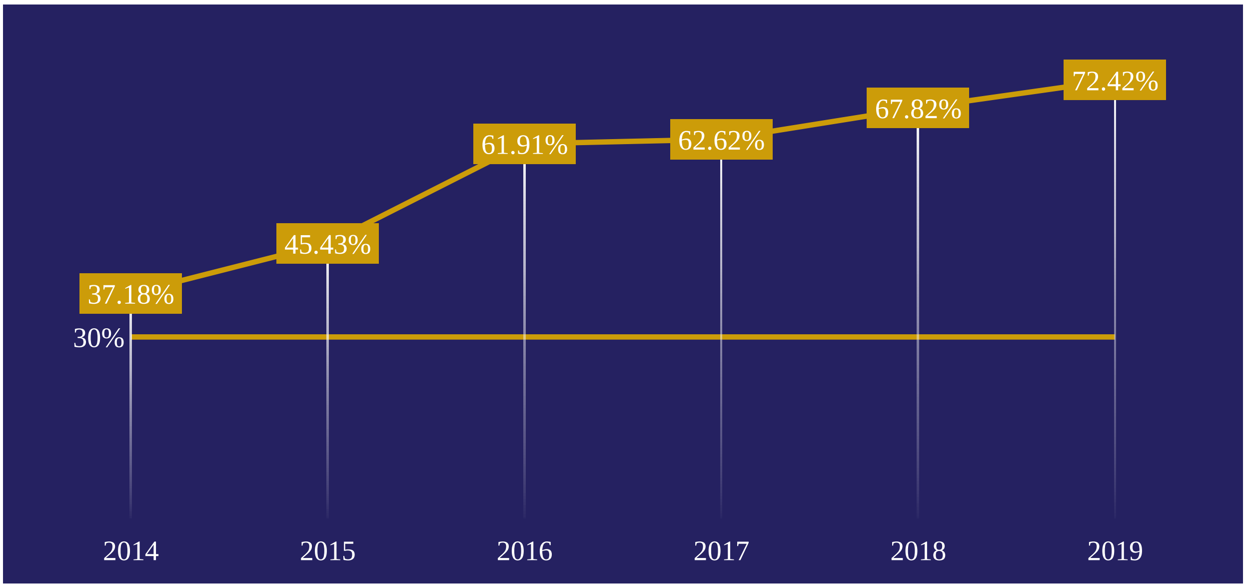
Figure 10: Trend of Banking Sector Deposits (Z$ millions)



Source: Reserve Bank of Zimbabwe, 2019

49. The average prudential liquidity ratio, which relates current assets to short term claims was 72.4% against the regulatory threshold of 30% as depicted in Figure 11.

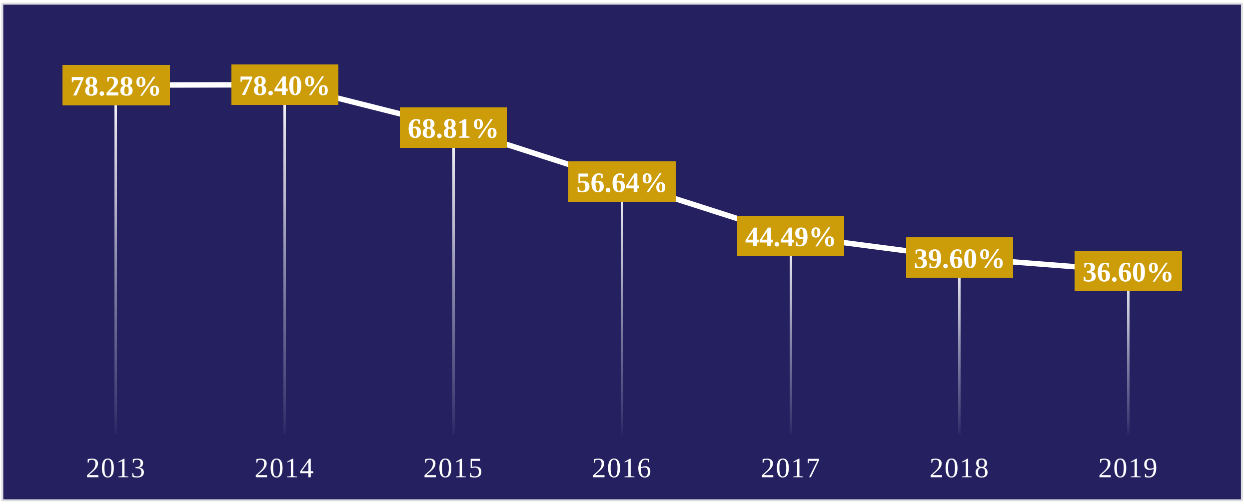
Figure 11: Prudential Liquidity Ratio Trend (%)



Source: Reserve Bank of Zimbabwe, 2019

50. The sector also adopted a cautious lending approach and had relatively high holdings of securities and investments. The loans to deposit ratio, which reflects the sectoral financial intermediation position declined from 39.6% in 2018 to 36.6% in 2019, reflecting both subdued credit growth but also significant liquidity holdings during the year as shown in Figure 12

Figure 12: Loans to Deposits Ratio Trend



Source: Reserve Bank of Zimbabwe, 2019

Earnings Performance

51 All banking institutions were profitable and the sector reported net income of $6.4 billion during the year ended December 2019, an improvement from $389.9 million reported during the corresponding period in 2018. The increase was driven by revaluation gains on investment properties, translation gains on foreign currency balances, as well as commission from foreign exchange trading.

52. Non-interest income constituted 52.2% of total net income while interest income from loans constituted 10.7% of total income during the period under review.

53. The cost to income ratio for the sector improved from 70.0% in 2018 to 40.0% in 2019, largely due to increased efficiency arising from automation and digitisation of a number of banking processes.

54. Banking sector earnings performance, as measured by the average return on assets declined from 20.61% to 8.99% and average return on equity ratios improved from 30.23% to 31.98% as at 31 December 2019

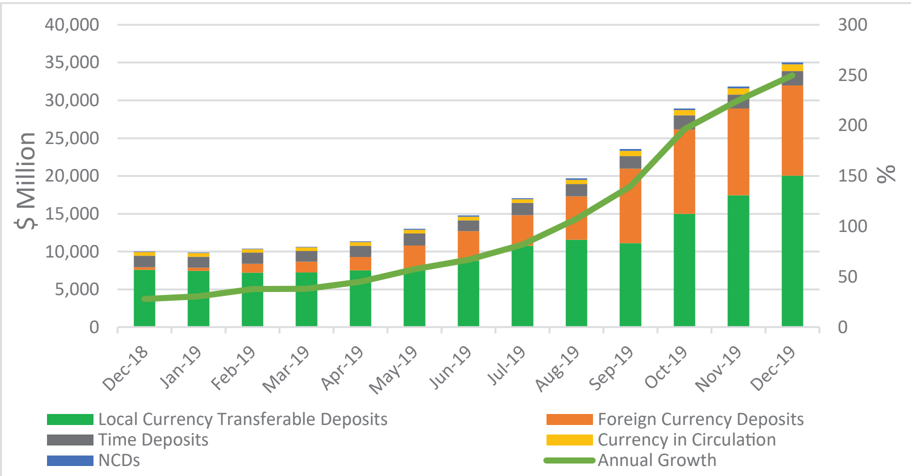
3.2 Money and Capital Markets Developments

Broad Money Developments

55. Broad money increased from Z$10 009.9 million in 2018 to Z$35 018.18 million in 2019. This translated to an annual money supply growth of 249.8% in 2019, compared to 28.1% in 2018. The growth largely reflected yearly increases in transferable deposits of 302.7%; currency in circulation, 80.8%; and time deposits, 25.1% deposits of 302.7%; currency in circulation, 80.8%; and time deposits, 25.1%.

56. The increase in transferable deposits was, in part, attributed to expansion in foreign currency deposits included in broad money, owing to exchange rate depreciation after the introduction of a foreign exchange interbank market in February 2019. The exchange rate depreciated from Z$2.50 per US$1 at the inception of the interbank market, to close the year at Z$16.77 per US$1.

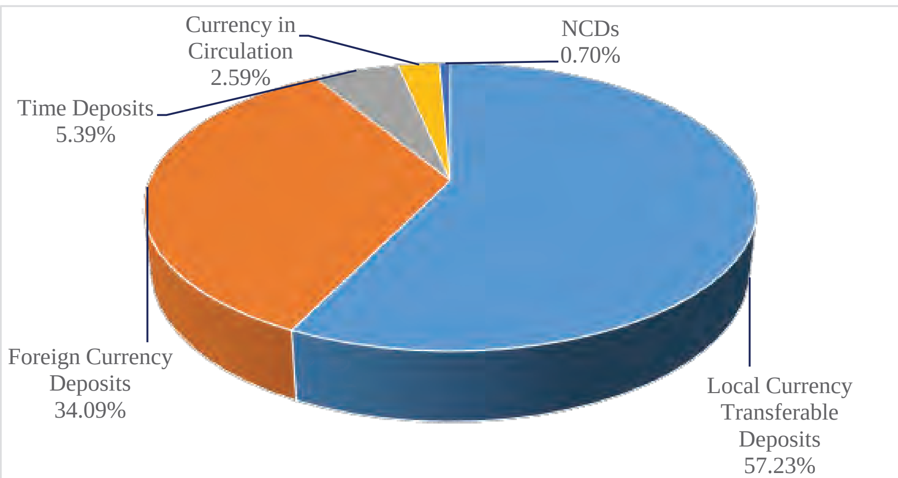
Figure 13: Level of Broad Money and Annual Growth



Source: Reserve Bank of Zimbabwe, 2019

57. During the period under review, broad money consisted of transferable or transitory deposits, 57.2%; foreign currency deposits, 34.1%, other deposits, 5.4%; currency in circulation, 2.6%; and negotiable certificates of deposits, 0.7%.

Figure 14 Composition of Broad Money



Source: Reserve Bank of Zimbabwe, 2019

Domestic Credit

58 Domestic credit registered an annual growth of 87.0%, largely reflecting increases of 32.1% in net claims on government and 198.6% in credit to other sectors.

59. The growth in net credit to Government was, however, a slowdown of 27.0 percentage points from 59.2% recorded in 2018. This slowdown was on the back of fiscal consolidation measures which were put in place during the greater part of 2019.

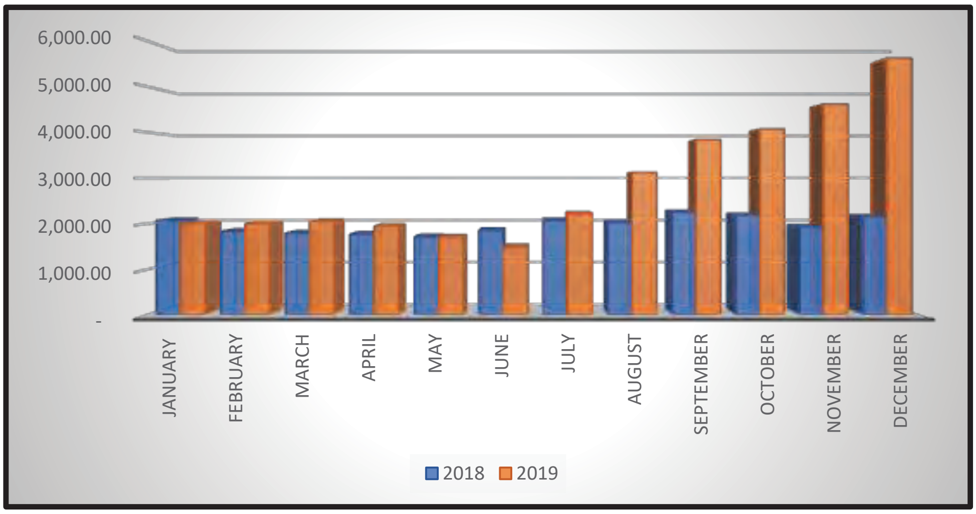
60. The growth in claims on other sectors was due to an expansion of 173.8% in credit to the private sector. Growth in credit to the private sector was partially attributed to advances to the agriculture sector.

Money Market Liquidity

61. The market position, as measured by banks' deposits at the Bank, grew by over 220%, from Z$2.2 billion at the beginning of the year to close the year at Z$7.05 billion. The liquidity, however, remained concentrated in six banks, which accounted for around 75% of the total.

62. Average monthly banks' balances were Z$2.89 billion in 2019 compared to ZWL$1.97 billion in 2018 as depicted in Figure 15.

Figure 15: Monthly RTGS Average Balances (Z$ Million)



Source: Reserve Bank of Zimbabwe

63. The Bank continued to use the 7% Savings Bonds and statutory reserve requirements as the main instruments to mop up excess liquidity from the market. In this regard, the outstanding balance for savings bonds was Z$1.9 billion on 31st December 2019, down from Z$2.2 billion in 2018.

64. A total of Z$3.24 billion worth of saving bonds had been rediscounted through the discount window facility by 31st December 2019.

Statutory Reserves

65 The statutory reserve ratio, which wasre-introduced in November 2018, remained at 5%, with a total of Z$918 million sitting in the statutory reserve account as at end December 2019.

Policy Rate

66. The Bank rate was increased from 15% to 50% in June 2019 and further to 70% in September 2019. However, in an effort to stimulate lending to productive sectors of the economy, the Bank rate was reduced from 70% to 35% in November 2019.

67. There was a slowdown in the disbursement of targeted facilities, at Z$312 million by the end of the year. The targeted facilities included export finance, business linkages, horticultural promotion, tourism and women and youth empowerment.

Government Securities

68. To increase transparency and efficiency in the pricing of securities, government re-introduced the issuance of Treasury bills through the auction system in July 2019.

69. As at the end of the year, ten auctions, with tenor ranging from 91 – 365 days had been conducted, raising a total of Z$782 million, at interest rates ranging from 13.67% to 17%

3.3 Microfinance Sector and its perfomance

70. In line with its mandate to safeguard price & financial sector stability and safety of the Zimbabwean financial system and to promote inclusive growth, the Bank set out a number of strategic themes to achieve the financial sector stability and promote an inclusive growth.

71. The table below provides major highlights on performance towards achievement of regulatory and supervisory strategies for the microfinance sector.

Table 4: The performance of supervisory and regulatory strategies

SUPERVISORY AND REGULATORY STRATEGIES	KEY PERFORMANCE HIGHLIGHTS IN 2019
Promote public confidence in the microfinance sector	• Conducted quarterly industry reports on the performance of the Microfinance sector • Report to the Minister of Finance and Economic Development on the performance and condition of the microfinance sector. • Prompt corrective actions on non-complaint institutions - Placed one (1) DTMFI under curatorship • Conducted capacity-building workshops to capacitate the sector in corporate governance, risk management and compliance. • On-boarded microfinance institutions to utilize the credit reference system as part of their risk management tolls to evaluate credit-worthiness of potential clients. • Held annual microfinance conference to create a platform for information exchange and capacity-building
Strengthen the regulatory framework for microfinance sector	• Promulgation of the Microfinance Amendment Act, No. 6 of 2019 which provides for two classes of microfinance business and issuance of perpetual licenses. • Enhanced the licensing framework for microfinance institutions
Promote and enhance financial inclusion levels in the economy.	• Licensed a total of 229 microfinance institutions, comprised of 122 credit-only microfinance institutions and seven (7) depos it-taking microfinance institutions. • Introduced the Social Performance Management Framework to promote development of sustainable microfinance institutions that are able to meet both their social and financial objectives. • Flighted a number of financial literacy bulletins and publications to improve financial literacy.

Source: Reserve Bank of Zimbabwe

Other Activities to Promote a Sustainable Microfinance Sector

72. The Bank in its efforts to strengthen the resilience of the microfinance sector, as well as promote national objectives through the sector, undertook various capacity building initiatives during the year:

    a. The Reserve Bank organized a microfinance study tour to Kenya to facilitate peer learning and information exchange with the Kenyan counterparts. The experiential knowledge gained from the study will inform the development of a Microfinance Development Strategy to facilitate the growth of a sustainable microfinance industry, which contributes meaningfully towards attainment of the country's vision of becoming an Upper Middle Income Economy by 2030.

    b. The Bank held the Third Annual Microfinance Conference with the theme "**The Role of Microfinance in Building a more Inclusive Economy & Attainment of the Sustainable Development Goals (SDGs)".** The Conference focused on both strengthening the resilience of the sector and developmental thrust.

73. During the year, the Bank trained microfinance institutions on various topical issues including, regulatory expectations, reporting and the importance of adopting digital technology.

74. In an effort to promote excellency in serving the low income and marginalised groups, the Bank participated in the second edition of **the Microfinance National Excellence Awards Ceremony, which was hosted, by the Zimbabwe Association of Microfinance Institutions and the Zimbabwe Microfinance Fund.**

75. The microfinance sector, as one of the major pillars of the financial inclusion strategy, continued to make inroads into the financial inclusion space and to support the productive sector as reflected by growth in the loan portfolio size, equity funding, deposit mobilization and outreach during the year ended 31 December 2019.

Lending and Portfolio Quality

Portfolio Size

76. The microfinance sector continues to play a critical role in providing credit to lower segments of the market thereby complementing the role of commercial banks.

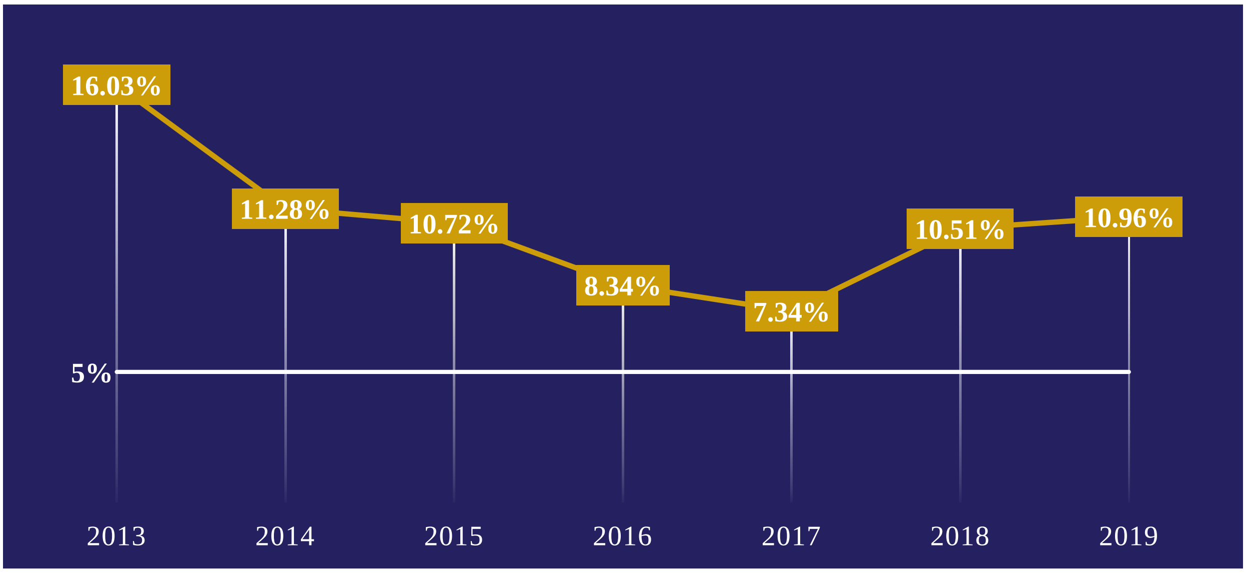
77. The microfinance sector disbursed loans amounting to $632.67 million in 2019, from $387.87 million in 2018, constituting 5.01% of total banking sector loans of $12.63 billion in the period under review.

78. Loans to the productive sector constituted 67.44% of the total microfinance sector loans of $632.67 million as at 31 December 2019.

Portfolio Quality

79. Portfolio quality remained relatively unchanged over the review period as reflected by the PaR(>30 days) ratio of 10.96% as at 31 December 2019, compared to 10.51% in the previous period, against the international benchmark of 5%. The PaR is a reflection of heightened credit risk against the backdrop of a challenging macroeconomic environment. Figure 16 shows the portfolio risk trend from 2013 to 2019.

Figure 16: Portfolio at Risk (percentage)

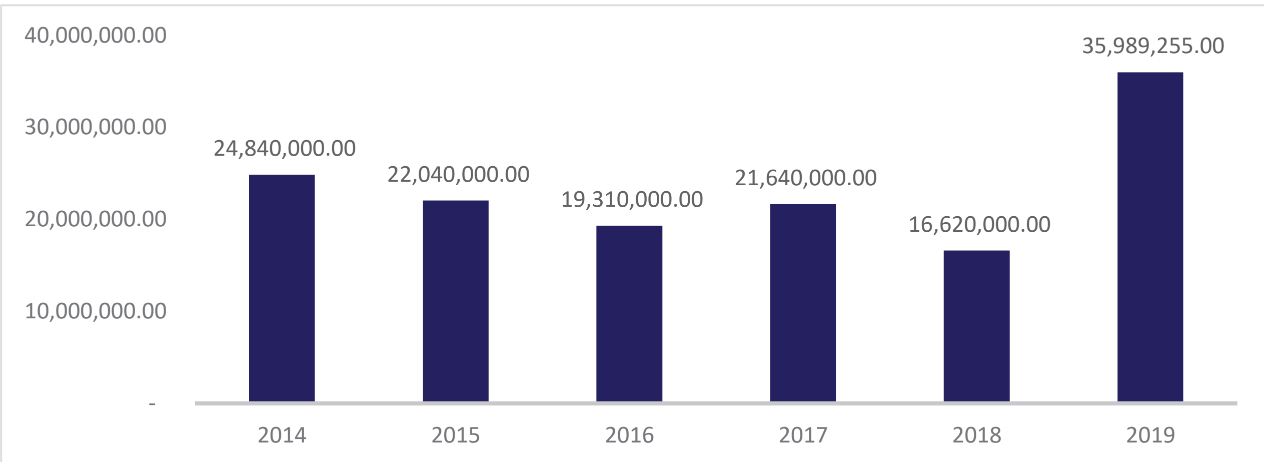


Source: Reserve Bank of Zimbabwe

Profitability

80 The sector registered a 116.6% increase in profitability over the year from $16.6 million in 2018 to $36.0 million for period ended 31 December 2019. The increase was mainly attributable to revaluation gains which contributed significantly to the growth in earnings for the sector. The trend in the profitability of the microfinance sector is indicated in the Figure 17.

Figure 17: MFI Profitability

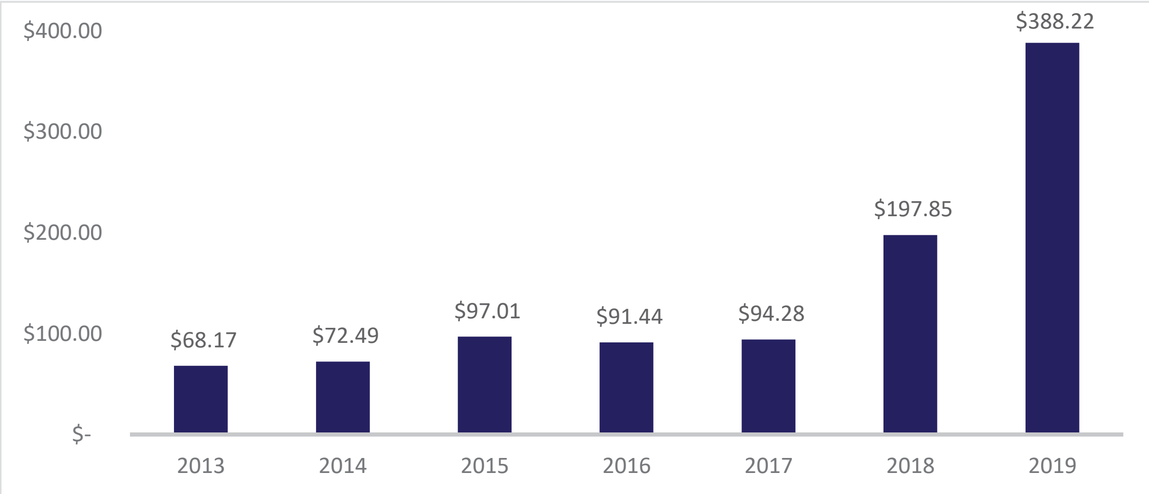


Source: Reserve Bank of Zimbabwe

Capital & Funding in the Credit-only Microfinance Sub-sector

81. The microfinance sector recorded a 289.35% increase in aggregate equity from $134.17 million in 2018, to $388.22 million in 2019, as shown Figure 18.

Figure 18: Trend in Microfinance Sector Capital (Z$ Millions)



Source: Reserve Bank of Zimbabwe

82. Adequate funding continues to dampen growth and to militate against the sector's full potential in contributing to sustainable economic development.

83. A summary of the key performance indicators is shown in Table 5.

Legal And Regulatory Developments

84. During the year, the Bank reviewed the regulatory and supervisory framework to ensure on going consistency with international standards while promoting the resilience of the financial system.

85. As part of financial stability initiatives to promote stable institutions through adequate preparation and planning for severe stress events, the Reserve Bank of Zimbabwe issued Prudential Standard No. 1-2018/BSD: Guidance on Recovery Planning in April 2018. Banking institutions are required to submit Recovery Plans to the Reserve Bank by the 31 March of each year.

Microfinance Amendment Act No.6 of 2019

86. The Microfinance Amendment Act was promulgated on 19 November 2019 to address regulatory gaps noted in the legal framework for the supervision and conduct of business by microfinance institutions. The major objectives of the amendment are to:

i. strengthen the supervision of microfinance institutions;
ii. address shortcomings of the previous Microfinance Act by providing for perpetual licenses for microfinance institutions; and
iii. provide for a more comprehensive corporate governance and risk management framework.

87. The Microfinance Act now provides for the duties and responsibilities of principalofficers and directors of microfinance institutions. The duties include the duty to act bona fide, the duty of care, the duty to avoid conflict of interest and the duty to have knowledge exercise skill and to uphold at all times such knowledge and skills necessary to effectively discharge one's functions.

Table 5: Key Performance Indicators

Indicator	Dec-18	Mar-19	June-19	Sept-19	Dec-19
Total Loans ($m)	387.87	443.12	554.21	625.85	632.67
Total Assets ($m)	490.22	533.05	721.99	1,088.23	1,041.88
Total Equity ($m)	197.85	200.38	220.89	276.98	388.22
Net Profit ($m)	16.62	4.98	20.08	36.88	35.99
Average Operational Self-Sufficiency (OSS)	153.11%	142.29%	164.56%	158.63%	140.69%
Total Deposits (DTMFIs) ($m)	23.85	25.65	15.29	27.87	35.95
Portfolio at Risk (PaR>30 days)	10.51%	8.02%	9.90%	18.73%	11.61%
Number of Active Loan Clients	349,341	402,295	396,388	349,859	454,428
Number of Female Borrowers	161,023	160,074	166,444	147,698	240,654
Number of Outstanding Loans	393,219	440,032	425,288	532,983	567,980
Number of Branches	750	807	796	844	1,004

Source: Reserve Bank of Zimbabwe

88. A more enhanced corporate governance framework was introduced for deposit-taking microfinance institutions which includes making it mandatory for them to establish a Board Risk Committee, an independent Compliance function and an Audit Committee, amongst other requirements.

89. The Board of a deposit taking microfinance institution is required to be chaired by a non- executive independent chairperson.

90. Further guidance on what is expected of a sound corporate governance framework for deposit taking microfinance institutions was introduced to assist microfinance institutions in ensuring compliance.

Lion Microfinance Limited (Under Curatorship)

91. In promoting sound financial institutions and safeguarding the integrity of the financial system, the Bank institutes appropriate enforcement action in response to deficiencies by institutions in meeting capital, corporate governance and compliance as well as risk management requirements.

92. Lion Microfinance Limited was placed under the management of a curator by the Bank on 26 July 2019 for an initial period of three months in terms of the Microfinance Act [Chapter 24:30].

93. During the year, the Curator was working on addressing the deficiencies including recapitalisation to pave way for the re-opening of the institution.

3.4 Consumer protection and makert conduct

94. Financial education and consumer protection are key pillars in the promotion of financial inclusivity under the National Financial Inclusion Strategy. Accelerated digitization by financial institutions in the wake of COVID-19 has added to the urgency of financial literacy and digital literacy particularly among target beneficiaries of financial inclusion initiatives. Digitization has also increased financial institutions' exposure to cyber risks thus increasing consumer protection risks.

95. Pending the finalisation of the National Financial Literacy Strategy, the Bank continued to implement initiatives aimed at capacitating financial consumers with skills, information and tools to facilitate responsible financial decision making and protection from unfair, abusive or deceptive market practices and other risks. Banking institutions have been called upon to remain alert to imminent threats in the new operating environment and activate appropriate risk management responses and to conduct ongoing consumer education campaigns.

96. As part of processes to operationalize the Consumer Protection Framework issued in 2017, the Bank is developing a Market Conduct Supervision Framework earmarked for issuance in 2021. The Framework will set out the principles, concepts and core processes that will be employed to supervise the market conduct of financial services providers.

Financial Literacy in Schools

97. During the year, a pilot Financial Literacy capacity-building program for school teachers and Ministry of Education officials was launched. The overall course objective was to strengthen the knowledge level and financial capability skills of teachers so that they can make sound financial decisions and positively influence learners in the same. Furthermore, the trained teachers are expected to transfer the financial skills and knowledge to their family members and communities.

Global Money Week Celebrations

98. The Bank participated in the 2019 Global Money Week Celebrations which had a theme geared towards inculcating wise money management in children and the youth. A total of fifteen (15) banking institutions, two (2) regulatory authorities and one (1) non-banking institution participated in the 2019 Global Money Week celebrations, an increase from eight (8) institutions that participated in the 2018 commemorations. Direct outreach was estimated at 926,318 through direct interface with the children and youth. A total of 237 schools were reached throughout the country, majority of which were in urban areas.

Other Financial Literacy Activities

99. During 2019, the Bank also partnered other financial sector regulatory authorities in rolling out extensive joint consumer education programs as part of the efforts to capacitate consumers, build confidence in the financial system and promote financial inclusivity. Activities will include roadshows, radio talk shows, sponsoring newspaper columns, newsletters and exhibitions.

100 In line with the financial inclusion agenda, most financial institutions under the purview of the Bank are also involved in a number of initiatives to promote financial literacy among their existing and potential customers. Activities include training customers on entrepreneurial and business development skills; publication of financial literacy literature through print and electronic media; mentoring students from primary, secondary and tertiary schools; and participation at exhibitions.

Complaints Handling

101. During the year, the Bank implemented a complaints tracking mechanism for banking institutions in the Reserve Bank's Bank Supervision Application System (BSA). In this regard, all banking and microfinance institutions are required to log all complaints received from clients into a Complaints Return on the Consumer Protection Module in the Bank Supervision Application System (BSA). BSA is an online application system accessible by banks and microfinance institutions. The system is used by the Bank, banking and microfinance institutions to analyse the complaints and is capable of producing reports, which assist in decision-making.

Core Principles Self-Assessment

102. The Reserve Bank conducted a self-assessment of its compliance with the Core Principles for Effective Banking Supervision (Core Principles) issued by the Basel Committee for Banking Supervision (BCBS). The assessment indicated that the Reserve Bank is compliant with 26 of the 29 Core Principles and noted some areas requiring ongoing improvements.

Cross Border Coordination and Cooperation

103. The Reserve Bank participated in supervisory colleges held during the year as part of on-going supervision of cross border banking groups.

104. Supervisory colleges play an important role in the effective supervision of international banking groups and have provided oversight on the key risks affecting international banks across different jurisdictions, alignment of supervisory strategies, and improve home-host supervisor relationships.

Financial Technology

105. Cognisant of the technological advancements which are significantly transforming the provision of financial services and altering the digital finance landscape the Bank commenced initiatives to engage the banking sector and other financial sector players with the objective of developing a National Fintech Strategy.

106. By December 2019 a consultative Fintech Regulatory Sandbox Guideline was developed and circulated to stakeholders for comments in 2020. It is envisaged that that notable progress will be made in finalising the policy document during 2020.

107. At operational level, banking institutions have continued to leverage on the high mobile phone penetration rate by partnering mobile network operators (MNOs) to offer a range of digital financial services such as digital account opening, card based mobile payments and products which make use of customer data. The Bank has emphasised the need for institutions to enhance the management of technology risks particularly cyber security related risks.

IFRS 9 Compliance

108 All banks published IFRS 9 compliant financial statements for the year ended 31 December 2019. The forward-looking nature of provisioning requirements as well as expanded disclosure requirements significantly enhance bank risk management and reinforce market discipline.

Sustainability and Green Financing

109. The Bank is working on embedding sustainability and green finance standards in the banking sector. The Bank has a strategic collaboration with the European Organization for Sustainable Development (EOSD) under the Sustainability Standards Certification Initiative (SSCI).

110. SSCI uses a holistic and distinctive set of standards to shape the future performance of value-driven institutions. The standards embed sustainability across the value-driven financial institutions.

111. All the critical areas for driving organizational performance and positioning certified institutions as industry leaders in sustainable banking and finance space are covered under the Octagon Value Creation Model of the SSCI standards as shown in Figure 19.

Figure 19: Octagon Value Creation Model

Source: European Organization for Sustainable Development, 2019

112. By the end of 2019, eight (8) banking institutions had expressed commitment to participate under the Sustainability Standards Certification Initiative.

4.0 BANKING, CURRENCY AND PAYMENTS

113 In 2019, the Bank continued to perform its functions of providing banking services to the Governmnet and commercial banks, overseeing the national payment systems and supplying of notes and coins to the makert

4.1 Banking Services

114. The Bank handled reciepts and payments for government which accumulated to a balanced amount of Z$22•1 billion in 2019. The value of transactions processed through the Real Time Gross System(RTGS) increased to Z$22•5billion

4.2 Currency Services

115. The Bank issued 165•8 million pieces of mint bank notes and 7•1 million coins valued at Z$565•8 million into circulation in 2019. The bond notes issued starting in 2016 where allowed to circulate alongside the new notes of Z$2 and Z$5. This was possible by promugulation of Statutory Instrument 33 of 2019.

4.3 Payment Systems

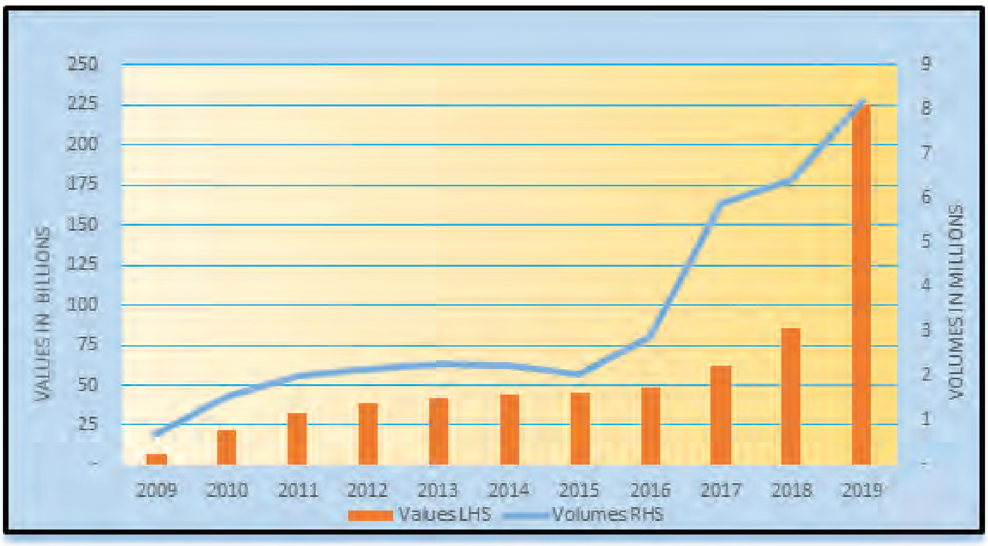
116 The national payment systems operated satisfactory in 2019 in line with the Bank's strategic goal of a cash-lite society and enhancing financial inlusion. The payment systems continued to record high availability levels and improvements on values and volumes of transactions processed within the economy

117. The payment ecosystem continued to record sustained growth and experienced progressive changes in its landscape, largely due to advances in technology.

118. The large value payment systems, Real Time Gross Settlement System (RTGS) and Central Securities Depository (CSD) were at 98% availability during 2019.

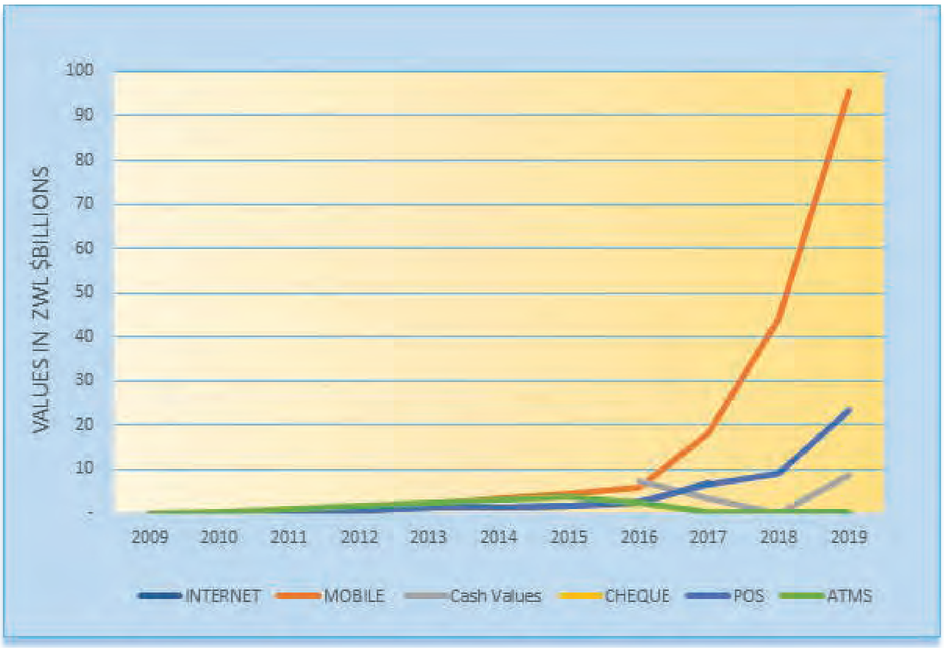
119. A total of 8•9 million transactions valued at Z$254 billion were processed through the RTGS system, while the value of retail payment streams was Z$50•3 billion against a volume of 1.2 billion as shown in Figure 20.

Figure 20 RTGS System Annual Values and Volumes Transactional



Source: Reserve Bank of Zimbabwe, 2019

Figure 21: Retail Payment Stream Values 2009 to 2019



Source: Reserve Bank of Zimbabwe, 2019

Access Points and Devices

120. Other than ATMs, all access points and devices recorded increases during the year under review, as shown in Table 6.

Table 6: Access Point Devices

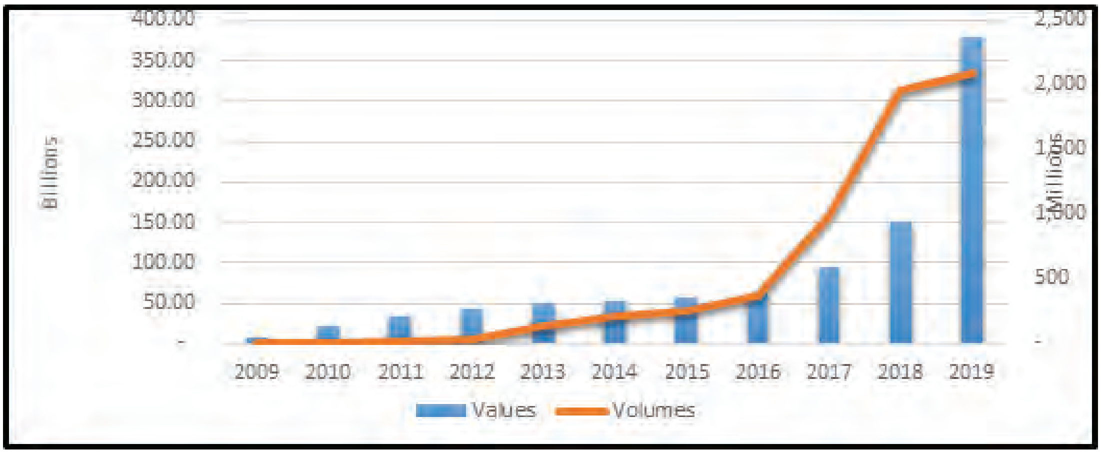
PAYMENT SYSTEMS ACCESS POINTS						
	2015	2016	2017	2018	2019	Change
ATMs	556	569	561	551	542	-1.63%
POS	16,363	32,629	59,939	99,935	121,413	21.49%
Bank Agents	1,723	4,059	4,865	4,815	4,840	0.52%
Mobile banking Agents	38,745	40,590	47,838	50,740	59,219	16.71%
MPOS				*21,248*	*29,991*	41.15%
PAYMENT SYSTEMS ACCESS DEVICES						
Debit Cards	2,365,160	3,127,153	4,281,683	4,734,299	5,625,031	18.81%
Credit Cards	10,854	16,030	17,411	17,204	18,089	5.14%
Prepaid Cards	30,125	43,288	63,987	88,406	99,278	12.30%
Active Mobile Banking Subscribers	4,683,959	3,279,049	4,611,608	6,139,160	6,543,758	6.59%
Active Internet Banking Subscribers	108,662	168,339	277,674	353,103	415,901	17.78%

Source: Reserve Bank of Zimbabwe, 2019

121. The total value of national payment system transactions increased by 150% from Z$155 billion in 2018 to Z$380 billion in 2019, while the volumes rose by 7% to Z$2 billion as shown in Figure 22 and Table 8.

122. During 2019, the Bank increased leverage on Fintech, focusing on cyber security, promotion of anti-money laundering and consumer protection. The Bank also continued its cooperation with other regulators.

Figure 22 Total Annual Payment Systems Transactions:2009 - 2019



Source: Reserve Bank of Zimbabwe, 2019

Table 7: Payment Streams Transactional Activities: 2017 to 2019

PAYMENT STREAM	2017	2018	2019	Proportion of Total	Change %
Value of Transactions in Billions					
RTGS	61.72	85.35	225.51	59.41%	164%
CHEQUE	0.07	0.05	0.04	0.01%	-18%
POS	6.64	8.99	23.32	6.14%	159%
ATMS	0.43	0.17	0.37	0.10%	116%
MOBILE	18.02	44.14	95.51	25.16%	116%
INTERNET	7.02	13.10	34.83	9.18%	166%
TOTAL	93.90	151.80	379.58	100.00%	150%
Volume of Transactions in Millions					
RTGS	5.90	6.40	8.20	0.39%	28%
CHEQUE	0.32	0.23	0.14	0.01%	-39%
POS	214.86	273.69	278.55	13.27%	2%
ATMs	8.10	3.41	1.62	0.08%	-53%
MOBILE	754.74	1670.40	1792.54	85.40%	7%
INTERNET	4.25	5.86	7.75	0.37%	32%
TOTAL	988.17	1959.99	2088.79	100.00%	7%

Source: Reserve Bank of Zimbabwe, 2019

Regulated Payment Service Providers

123. Table 8 shows the payment service providers (PSPs) which are regulated in terms of the National Payment Systems Act.

Table 8: Regulated FMIs

NAME OF FMI	Brief Description of FMI	Number of Participants 2018	Number of Participants 2019
Real Time Gross Settlement System (RTGS). Zimbabwe Electronic Transfer Settlement System (ZETSS)	Settlement hub for the country –interbank funds transfer	23	25
Central Securities Depository (CSD) for Government Securities	Holding and transferring of securities through book entry	19	19
Central Securities Depository (CSD) for Equities	Holding and transferring of equities through book entry	6	6
Zimswitch Technology (Pvt) Ltd	Local Switch and Zimswitch Instant Payment Interchange Technology (ZIPIT)	21	22
Payserv Zimbabwe (Pvt) Ltd (Paynet)	Electronic processing of payment instructions – Electronic Funds Transfer (EFT)	23	23
MasterCard	International Card Switching Facilities	7	9
Visa	International Card Switching Facilities	13	10
Union Pay International (UPI)	International Card Switching Facilities	1	3
MyCash	Mobile Financial Services/ Mobile Money	1	1
Ecocash	Mobile Financial Services/ Mobile Money	13	15
Getcash	Mobile Financial Services/ Mobile Money	1	1
One Money	Mobile Financial Services/ Mobile Money	5	5
Telecash	Mobile Financial Services/ Mobile Money	2	4
Cheque	Cheque Clearing	16	14

124. During 2019, the Bank continued with work on the review of the National Payment System Act, which is aimed at aligning the legal framework with the market developments and to enhance the Bank's regulatory role.

125. The review covered governance arrangements, consumer protection, oversight and supervisory and fintech related activities, among others.

126. On risk management, the Bank continued to monitor various risks affecting payment systems, which include operational risk, credit risk, settlement risk, liquidity, money laundering and terrorist financing.

Migration to EMV Technology

127. In order to reduce the risk of card cloning, the Bank, in collaboration with local banks, continued to implement the migration of all cards and related access points (ATMs and POS), from magnetic stripe technology to Euro MasterCard and Visa (EMV) technology.

128 This development resulted in a reduction of cloned card incidents in the market, with the market achieving EMV compliance of over 80% for card and related infrastructure. The target is to become fully EMV compliant in 2020.

SWIFT Customer Security Program

129. As part of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) community, the Bank and market participants adopted the Customer Security Programme (CSP), launched in 2016. The CSP is designed to assist customers to implement practices that act as preventive measures against cybercrime and allow ability to detect and recover when breaches occur.

130. As at the end of 2019, all the Zimbabwean banks were compliant with the SWIFT Customer Security Program.

Cyber Security Issues

131. With rapid technological change, payment systems are more vulnerable to cybercrime. Cybersecurity has, therefore, become criticalfor all financial institutions.

132. In this regard, cybersecurity requirements for licensing of payment systems and service providers are now necessary in accordance with the National Payment Systems Act.

Anti-money Laundering and Counter Financing of Terrorism

133. In line with Financial Action Task Force (FATF), the Bank continued to ensure compliance with the anti-money laundering and counter financing of terrorism (AML/CFT) requirements.

134. To ensure enforcement and effectiveness of AML/CFT, the Bank reviewed and made critical updates to the risk-based guideline.

Interoperability

135. To save money and ensure services are provided efficiently, work has been undertaken to implement the mobile money wallet to wallet interoperability in real time which is an enhanced seamless funds transfer across mobile wallets. This should be rolled out in 2020.

Consumer Protection

136. Consumer protection has become a topical issue and the Bank played its part through national expos, symposiums, and workshops to disseminate information to bolster financial literacy and education as well as raise levels of consumer awareness on payment systems.

4.4 Regional Cross-boarder Payment systems

137. In 2019, Zimbabwe had 14 banks on the Regional Payment platform, SADC-Real Time Gross Settlement System (SADC-RTGS) facilitating cross border payments. The SADC-RTGS offers alternative funds transfer systems to the traditional correspondent banking system.

Interbank Foreign Exchange Market

138. To improve price discovery, the Bank introduced the Interbank Foreign Exchange Market on 22 February 2019. Over US$1 .5 billion was traded in the interbank market from inception to 31 December 2019.

139. Most of the foreign exchange traded came from the Bank, which injected US$1.1 billion (72.4%), while the balance of US$424 million (27.6%) were market purchases by banks.

140. Table 9 summarizes the cumulative inflows and outflows of foreign exchange on the interbank market.

Table 9: Interbank Market Activities 22nd February-31st December 2019 (US$ millions)

Transaction	Period ending 31-Dec-19	Monthly Average
Initial Injection	24.8	
Subsequent Cumulative Injections[1]	1,089.7	99.1
Cumulative Purchases by Banks	424.0	38.5
Cumulative Inflows	1,538.4	
Less Cumulative Market Outflows	1,528.3	139.0
Closing Balance	10.2	

Includes sales to banks, direct payments and payments for maturing and issued letters of credit by banks.

Offshore Facilities

141. In 2019, the Bank accessed offshore facilities for the country for balance of payments support as well as for liquefying the Interbank Foreign Exchange Market amounting to US$1.47 billion.

142. These offshore facilities enabled the Bank to provide critical foreign exchange support to the market for the importation of fuel, electricity, grain (maize and wheat), crude cooking oil, pharmaceuticals, fertilizer, agro-chemicals and other raw materials.

Private Sector Offshore Facilities

143. During the year under review, a total of 122 offshore loan facilities, with a monetary value of US$1.0 billion were approved. The agriculture sector continued to attract debt financing, especially for tobacco, which is mainly financed from offshore funding. Tobacco merchants continued to receive funding from their offshore parent companies and third-party external financiers. Table 10 shows the distribution of approved external loans by sector.

Table 10: 2019 Private Sector Offshore Facilities

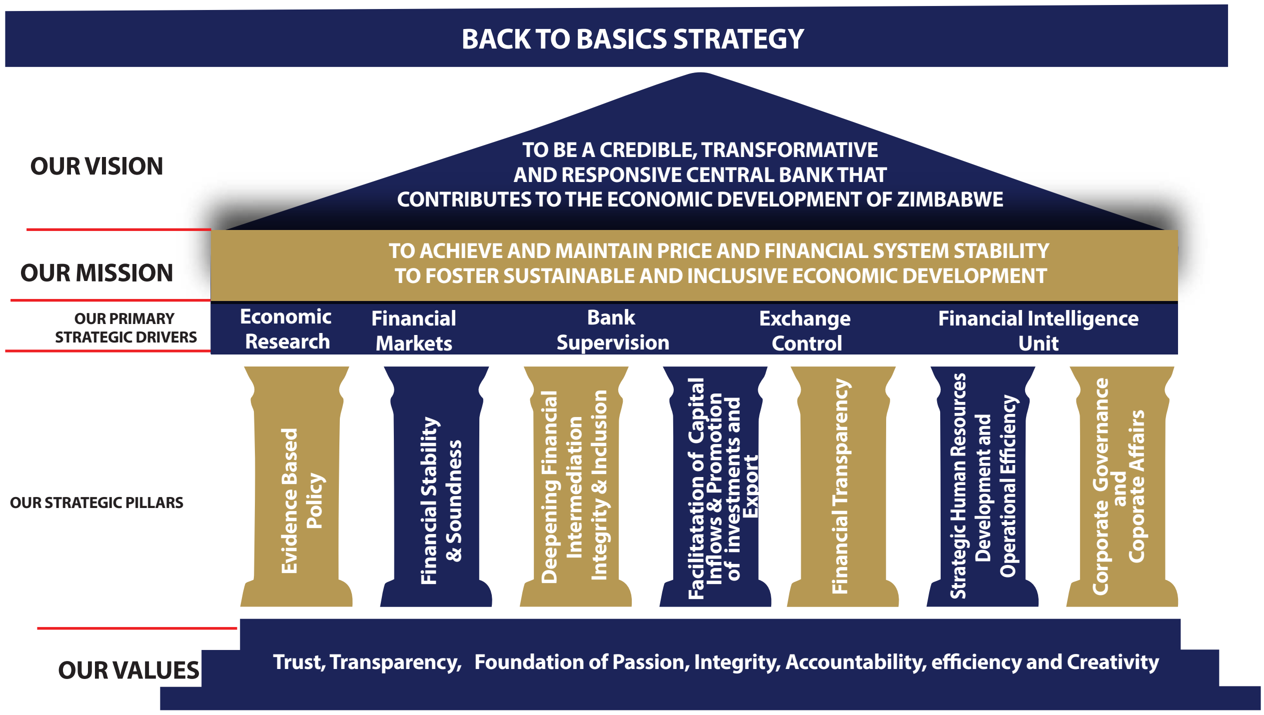
Sector	Number of Facilities	Approved Amount (US$ millions)	Sectoral Contribution (%)
Agriculture	46	803.0	79.13
Financial	6	119.5	11.78
Mining	0	25.9	2.55
Energy	2	23.1	2.28
Manufacturing	2	18.8	1.85
Transport	3	11.4	1.12
Tourism & Hospitality	14	8.4	0.83
Construction	9	2.9	0.28
Retail & Distribution	24	1.0	0.10
Services	10	0.9	0.08
TOTAL	116	1,014.8	100.00

Source: Reserve Bank of Zimbabwe, 2019

5.0 STRATEGY AND RISK MANAGEMENT

5.1 Performance of the 2015-2020 strategic plan

144 The Bank continued to implement its 2015 -2020 Strategic Plan under the theme Back to Basics in 2019 under the key focus areas as detailed below.

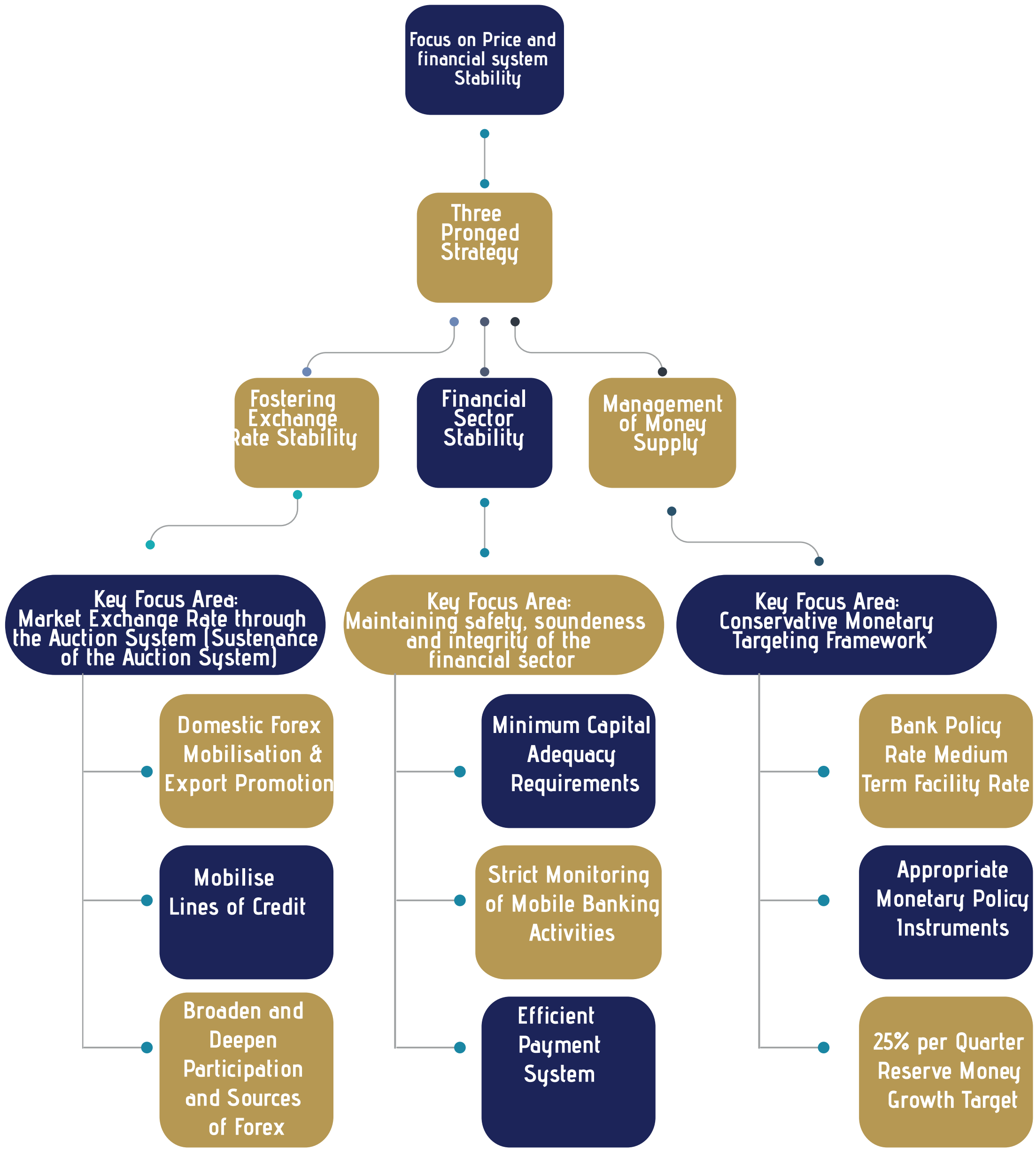


145. The Bank performed well, when measured against the objectives of the above strategic pillars. The banking sector remained largely safe and sound and was thus able to effectively provide financial intermediation services to the economy. In addition, in-roads were made in the promotion of financial inclusion and the embracing of fin-tech over the strategic plan period. On the capital flows front, the Bank facilitated significant inflows of capital in the form of loans for both government and the private sector.

146 This became particularly more important when viewed in the context of the international isolation, under which the country is operating. The Bank also continued to offer timely evidence-based policy to Government that has facilitated the re-balancing of the economy from the twin deficits to surpluses on both the current account and the fiscus by end 2019. Human resources management and corporate governance systems were strengthened.

147. The significant changes in the structure of the economy brought by the use of free funds alongside the local currency in the pricing of goods and services underscored the need to recalibrate the Bank's focus to align it with the new normal. Moreover, there has also been some major trends and changes in the global environment that warrant attention. In this regard, the Bank's focus going forward will be on fostering price and financial system stability anchored on a three pronged approach of fostering exchange rate stability, financial system stability and management of money supply as depicted in the Figure 23

Figure 23: Reserve Bank of Zimbabwe Strategic Policy Framework



148. The Bank will also continue to focus on:

a) rebuilding trust and confidence in the financial system,

b) ensuring comprehensive monitoring and supervision of the banking sector,

c) investing in economic and related research to support policy formulation and advice to Government, and

d) providing macroeconomic and financial sector statistics for utilization by various stakeholders.

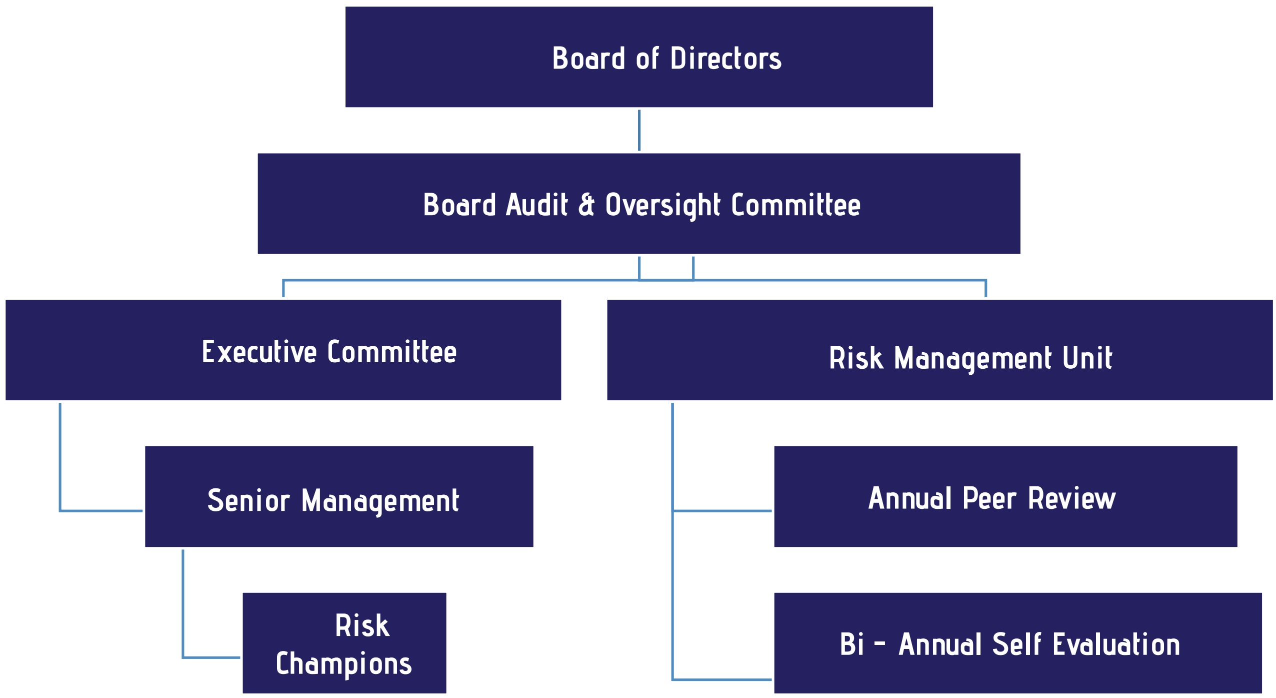
5.2 Enterprise Risk Management

149. The public interest role of central banks means that the Bank needs to be proactive, dynamic and effective in managing risks. Cognisant of this, the Bank has adopted an enterprise-wide approach to risk management to ensure that significant risks are analysed holistically considering the interaction of different portfolios and operations and ensuring congruency with the Bank's strategy.

150. The risk policy is designed to enable the Bank to understand and communicate its risk profile, ensure that risks remain at acceptable levels, assess how risks are likely to evolve as a result of new activities or changes in the operating environment, and assist in the quick recovery from a risk event.

151. The identification, assessment and reporting of risks at the Bank is fostered through the following governance structure:

Figure 24: Governance Structure



Source: Reserve Bank of Zimbabwe, 2019

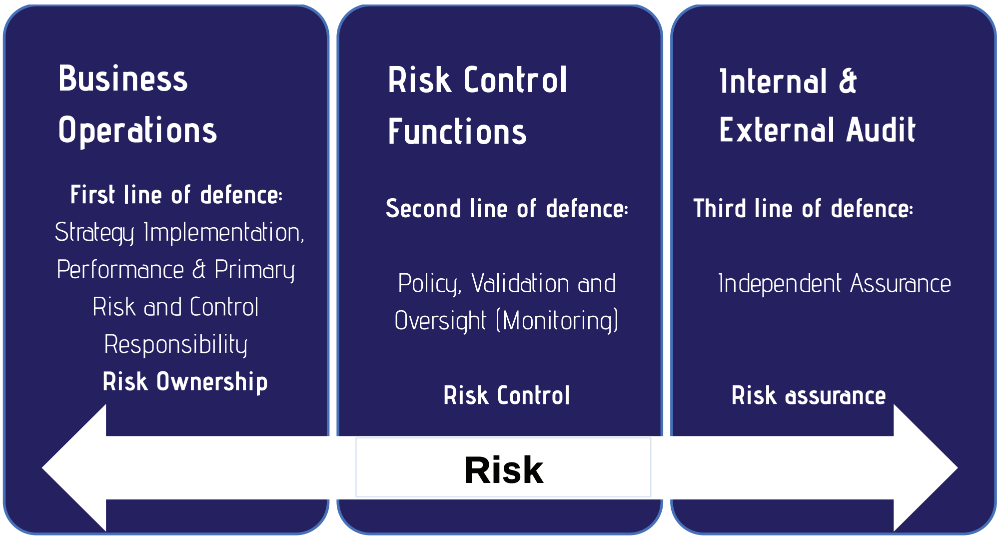
152. In terms of section 21 (1) [Chapter 22:15] of the Reserve Bank Act, the Bank board is responsible for formulating the policy of the Bank and supervising the Bank's administration and operations. In this regard, the board has a responsibility to approve the overall risk strategy, including risk policies and risk management procedures.

153. A Board level risk committee, namely, the Board Audit and Oversight Committee was constituted to ensure an independent risk oversight role. The Committee has detailed terms of reference approved by the Board.

154. The Governor, as the Chief Executive Officer of the Bank, has overall responsibility for management of the organisation. This day-to-day management of risks including reviewing and interrogating risk information is the responsibility of the Executive Committee, comprising senior executives of the Bank.

155 The risk management governance approach aligns with and incorporates the principles of the 'three lines of defence' model, which is based on a set of layered defences that align responsibility for risk-taking with accountability for risk control as shown below.

Figure 25: Risk Management



Management of key risks

156. In pursuit if its mandate and policy objectives, the Bank is exposed to a number of risks. The following principal risks that the Bank is exposed to include:

Strategic Risk

157. Strategic Risk relates to internal and/or external factors that could prevent the Bank from fulfilling its objectives, in particular implementation of its strategic plan. Additionally, on-going development and innovation in its operations through strategic initiatives creates risk.

158. To ensure effective or efficient decision-making and execution, the Bank's Executive Committee meets regularly to discuss major initiatives. A Strategic Plan is in place to ensure that these initiatives are prioritised appropriately, and that the associated risks are well-managed and reported on a consistent basis. The strategic plan is reviewed at least annually.

Financial Risks

159. Financial risks are managed with the aim of minimising their potential negative impact on the Bank's financial position and performance that may arise from adverse changes in financial markets or counterparty default. The Bank holds domestic and foreign currency-denominated financial instruments to support its operations in financial markets in pursuit of its policy objectives. These instruments account for a significant portion of the Bank's assets and expose the balance sheet to a number of financial risks.

160 In its operations to implement monetary and financial stability policies, the Bank is exposed to credit, market and liquidity risk as explained below.

161. Credit Risk - Credit risk is the risk of loss arising from the failure of a borrower, issuer, or counter party to meet its financial obligations to the Bank. The risk includes but is not limited to default risk, credit concentration risks, country risk and collateral risk. The Bank is exposed to credit risk in the management of its investment assets and in the standard and non-standard monetary policy operations, it conducts. The Bank manages this risk carefully by applying a strict set of criteria to investments and ensuring exposures to counterparties are appropriately secured. The Bank also takes collateral to minimise credit risks.

162 Market Risk - Market risk is the risk of loss resulting from changes in market risk factors, including interest rates, exchange rates, commodity prices, equities prices and credit spreads. The Bank is exposed to market risk through the interest rate sensitivity of its marked-to-market investment assets and potentially through any non-standard or emergency measures to address financial and/or price instability that may be required. Currency or exchange rate risk is defined as the risk of capital losses arising from fluctuations in the value of currencies relative to one another, in particular in the exchange of the Zimbabwean dollar relative to the reference currencies of USD, GBP, ZAR and EUR. The Bank uses a range of position sizes and limits to manage market risks.

163. The Bank does not aim to eliminate these market risks as this would significantly impair its ability to achieve its policy objectives. Instead, the risks are managed to an acceptable level through a framework of controls. The Bank acknowledges that there will be circumstances where the risks carried on its balance sheet will have a material impact on its financial accounts. The Bank regards it as desirable to hold sufficient reserves to absorb such potential losses.

164. Liquidity Risk - Liquidity risk is defined as the risk of financial loss or difficulties associated with being unable to meet short-term financial demands, that is, converting assets into cash. The Bank sets limits on the type of investments it holds and the counterparties which it trades with.

Macro-economic risks

165. There is a risk that political, geo-political, or external stakeholder events affect the Bank's ability to achieve its objectives. The Bank identifies risks in the macro-economy and financial market. The Bank also conducts market surveillance, performs systemic risk management and manages risks arising from disruption to the payment and settlement system. These activities assist the Board in their decisions to ensure macro stability risks do not impact on the financial stability

Operational Risks

166. The Bank faces operational risks in the execution of its daily business activities. The risks relate to the use of technology in critical business operations, people related risks, as well as confidentiality of Bank information. Risks are carefully analysed in all of the Bank's operational activities and the Bank ensures strong preventive, detective and corrective internal controls.

167. Risks related to business continuity are managed to mitigate a potential negative impact on the execution of critical processes functions. Thus, ensuring continuity of critical functions or their recovery is central to the Bank's operational risk management approach. The Bank mitigates its exposure to business disruption by maintaining a comprehensive Business Continuity Management Framework, which requires every division to conduct an impact assessment for relevant disruption scenarios annually, develop and test a continuity plan.

168. The Bank maintains robust technology solutions and security processes to protect its information assets. The growing cyber security risks across the globe, have necessitated additional security measures during the year to enhance the protection of the Bank's information systems and infrastructure. Against this background, during the year ended 31 December 2019, the Bank ensured that resources were committed towards the delivery or completion of key ICT projects.

People and Culture Risks

169 The Bank has put in place measures for the development and maintenance of appropriate risk management culture and that employees are motivated and qualified to perform their functions. The Bank Code of Ethics expects integrity from its staff and to conduct themselves with respect, and strive for excellence in their duties to promote public confidence. The Bank is committed to creating a safe working environment for its staff, where people are protected from physical or psychological harm.

Legal and Compliance

170. The Bank is committed to a high level of compliance with relevant legislation, regulation and international standards, as well as internal policy and procedure manuals.

Reputation

171. The Bank is committed to ensuring that its information is authentic, appropriately classified, properly conserved and managed in accordance with legislation and policies..

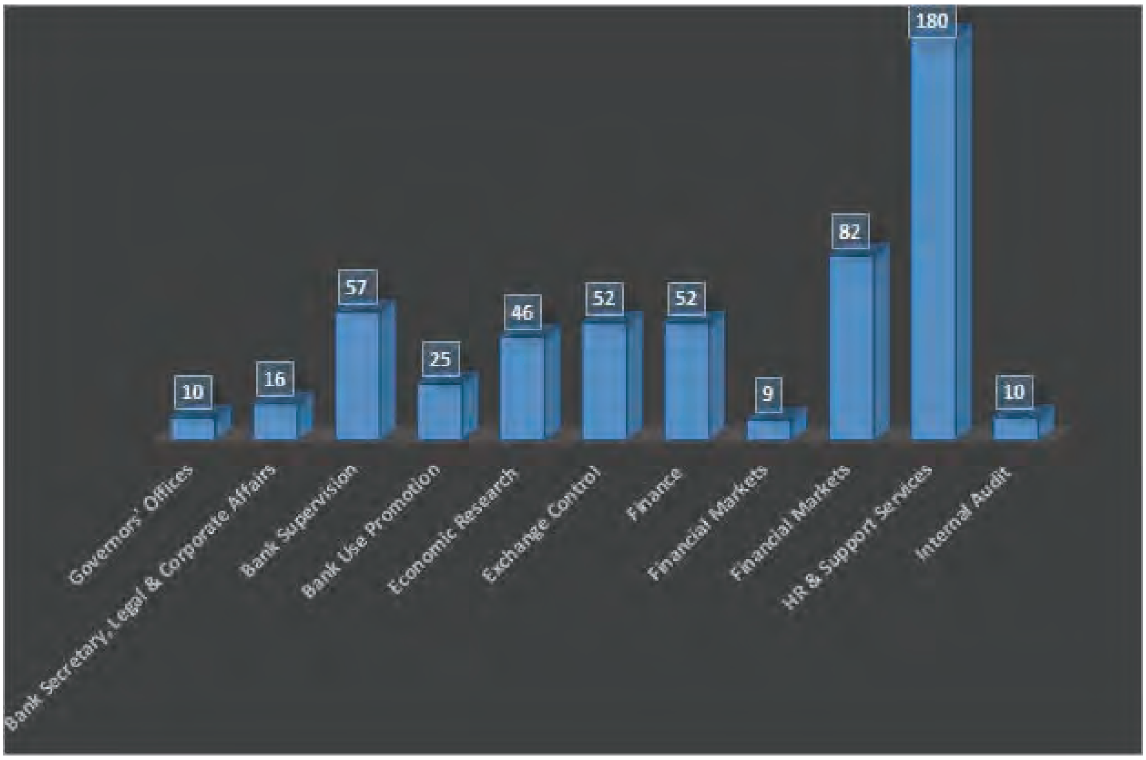
6.0 HUMAN RESOURCES MANAGEMENT

172. The year 2019 was the closing year for the Bank's Back to Basics strategy. Accordingly, the Bank's Human resources management focus was on ensuring that the people management space is well managed to achieve strategic results. The strategy also focused on ensuring that the Bank attracts, deploys, develops, and retain talent for strategic results in a safe environment in line with global best practices of Talent Management.

Staffing and Strategic Sourcing

173. The Bank staffing by the end of 2019 stood at 539. The Bank continued to ensure that its staffing levels and departmental structures are aligned to the Bank's strategic focus. The Bank strengthened its Currency Management Department to cope with additional workload following currency reforms undertaken in 2019. The graph below shows the composition of the Bank's workforce by Department in 2019.

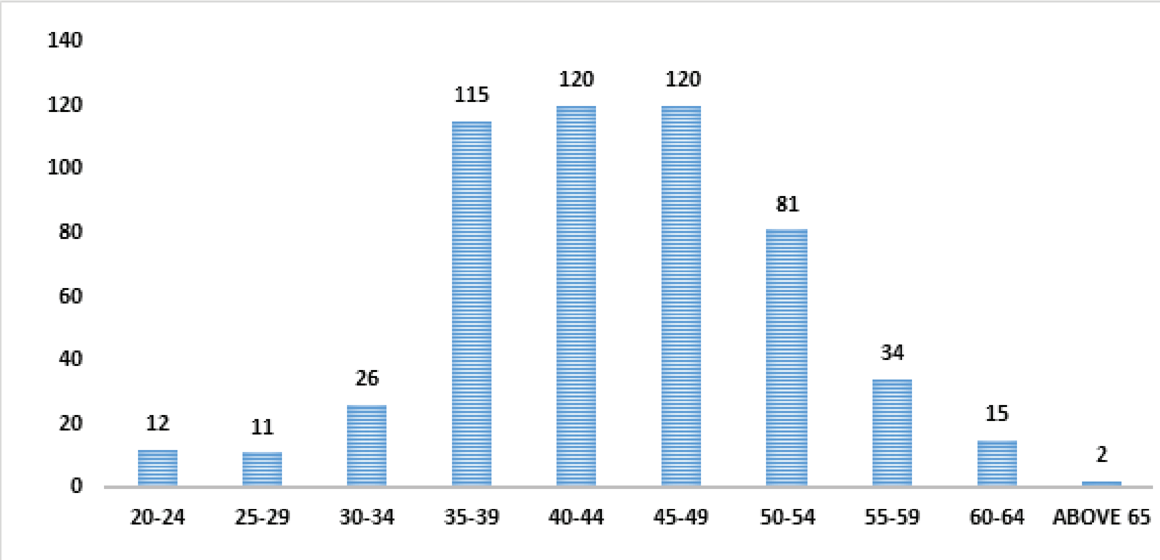
Figure 26: Employee Statistics



Staff Generational Mix

174. The Bank continues to monitor its diversity matrix in line with global best practice to achieve the governance goals. The gender diversity for the period ending 31 December 2019 stood at female 33%: male 67 %. The Bank also continued to give focus on achieving gender equity a strategic focus without losing sight on performance and merit. The Bank endeavours to continue balancing the age mix through engagement of the millennials to manage the generational mix. Figure 29 shows the: Staff Generational Mix

Figure 27: Staff Generational Mix in 2019



Source: Reserve Bank of Zimbabwe, 2019

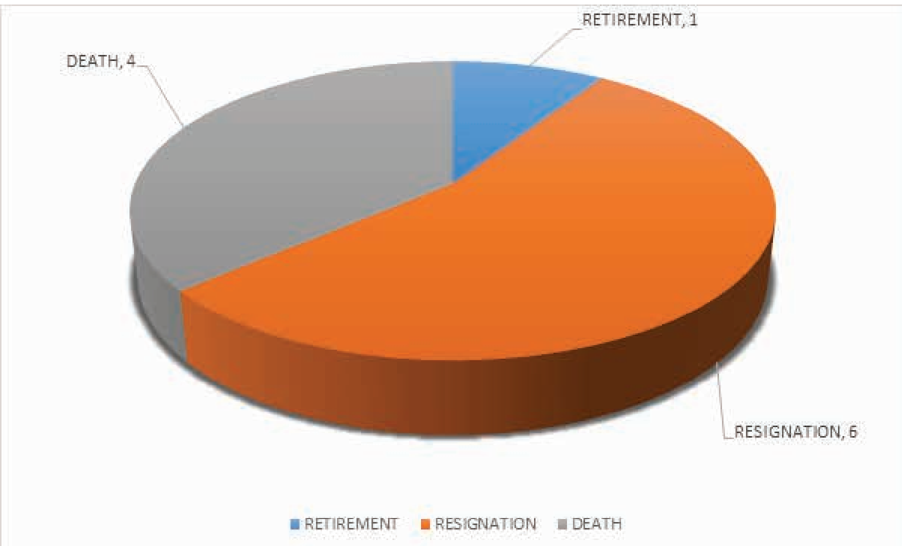
Retirement and Educational Schemes

175 The Bank continued to administer its Retirement Planning programme on Staff with 50 years and above to prepare them to manage life after employment. One on One coaching for those in their last year of retirement has been well received by retiring Bank staff. The Bank also administer an education scheme to ensure that Staff remain abreast on contemporary central bank issues.

Staff Turnover Rates

176. The Bank Staff turnover remained low in 2019, when compared to indicative global benchmarks. Precisely, the Bank recorded a labour turnover rate of 2,04 % as at December 2019 against a global benchmark of 5%. The Bank continues to focus on staff retention to achieve its strategy. The figure below shows the staff exits by reason for leaving during 2019.

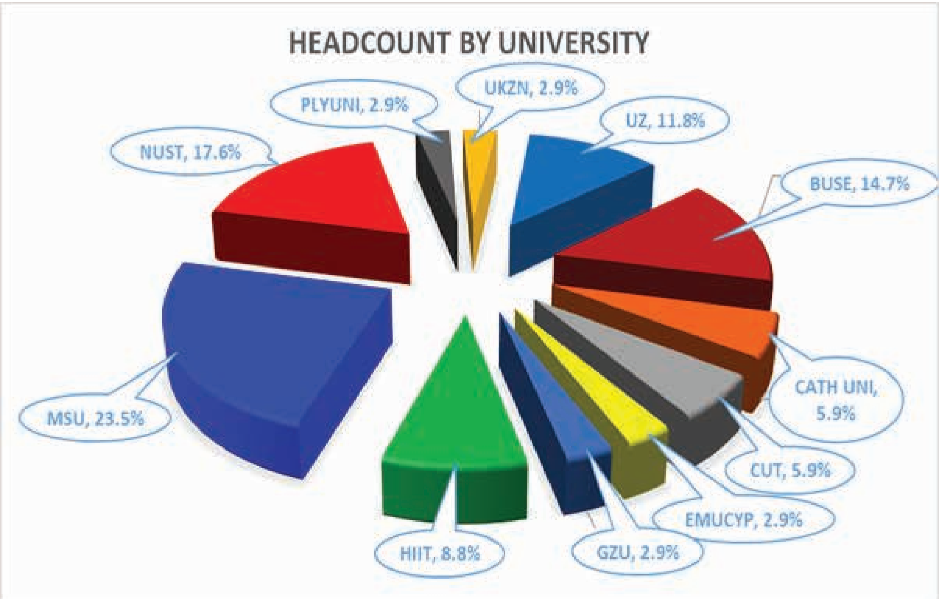
Figure 28: Staff Turnover



Graduate Development Program (GDP)

177. In order to strengthen the leadership bench strength, the Bank runs a structured Graduate Development Program (GDP). This program is meant to harness the millennials into the diversity matrix of the Bank and ensure alignment with current trends and deal with the VUCA world in times of Fintech developments. The figure below shows the spread of Universities where the Graduate Trainees were sourced and the focus was to have a diverse pool.

Figure 29: Graduate trainee head count by university



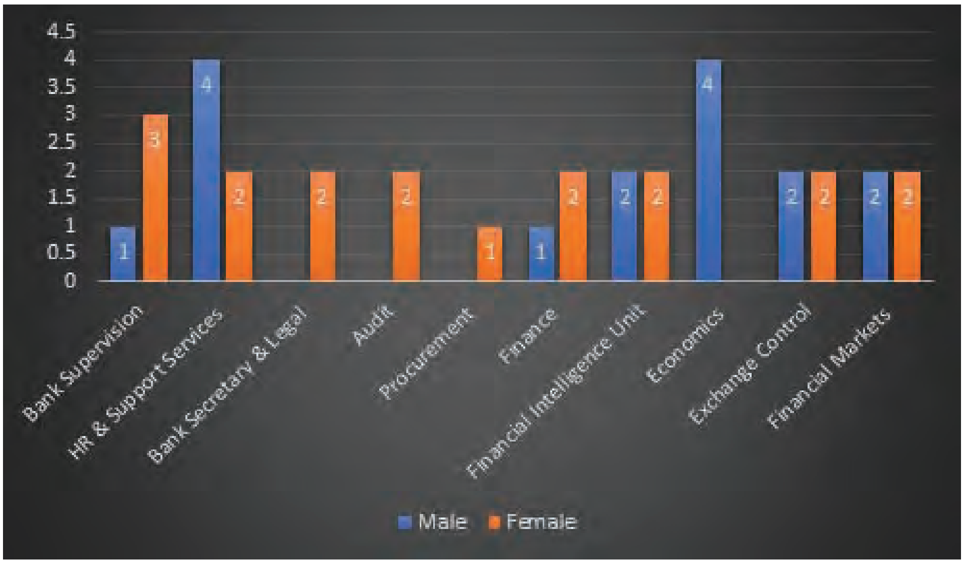
Source: Reserve Bank of Zimbabwe, 2019

Table 11: Graduate trainee head count by university

ABREVIATION	FULL NAME	HEADCOUNT
BUSE	Bindura University of Science Education	5
CATH UNI	Catholic University	2
CUT	Chinhoyi University of Technology	2
EMUCYP	Eastern Mediterranean University in Cyprus	1
GZU	Great Zimbabwe University	1
HIIT	Harare Institute of Technology	3
MSU	Midlands State University	8
NUST	National University of Science & Technology	6
PLYUNI	Plymouth University	1
UKZN	University of KwaZulu-Natal	1
UZ	University of Zimbabwe	4

Source: Reserve Bank of Zimbabwe, 2019

Figure 30: Distribution of Graduate trainees by department



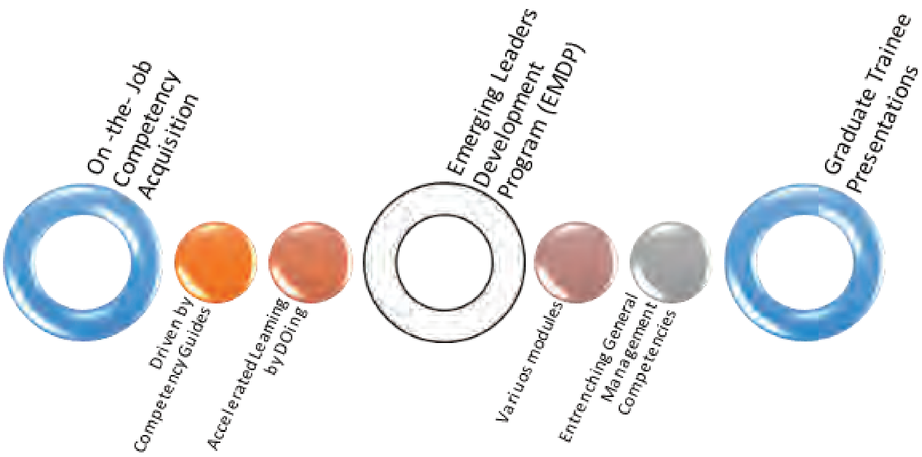
Source: Reserve Bank of Zimbabwe, 2019

178. The figure above shows that the program engaged more female Graduates in line with the Gender Equity drive of the Bank. The program covered all divisions of the Bank.

The Graduate Development Journey

179. The process of development of Emerging Leaders or Graduate Trainees was structured as shown above to ensure the moulding / sculpturing of modern central bank leaders in an accelerated way to feed the leadership pipeline. The figure below shows the development journey summarised.

Figure 31: The Graduate Development Journey



Source: Reserve Bank of Zimbabwe, 2019

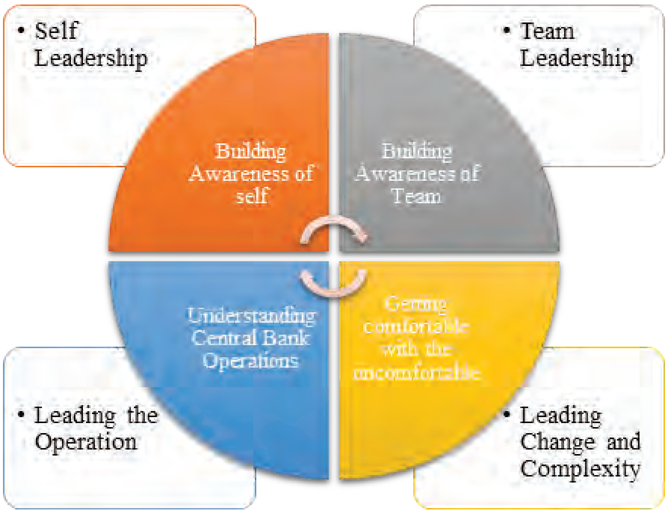
Talent Development Interventions

180. The Bank continues to invest in Talent Development and has adopted a "Farming" rather than a "Hunting" Model to Talent Management as it takes more time to mould a central banker of naught. This connects with the Chinese Proverb "If you want ten years of prosperity, grow trees. If you want one hundred years of prosperity, grow people."

Bank Leadership Model

181. The Bank has adopted a 360 Degree Leadership model that aims to build effective leaders across the chain of command. This was based on the belief that leaders make or break organizations.

Figure 32: Leadership Model

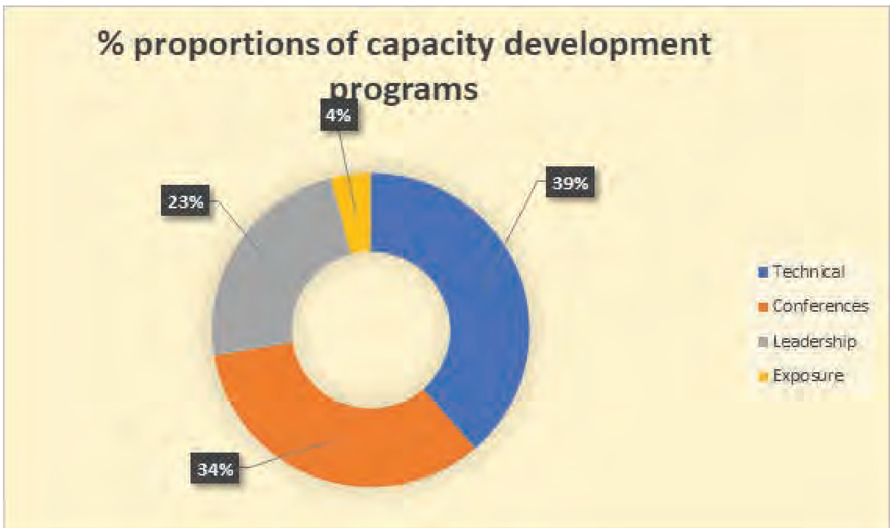


Source: Reserve Bank of Zimbabwe, 2019

182. The Bank partnered with various vendors and partners to ensure the key competencies are built for effective execution. The key courses and programs were run by MEFMI, IMF, ESAMI and World Bank were very useful in building technical competencies.

183. The figure below shows the spread of variuos types of capacity building / talent development interventions in 2019.

Figure 33: Capacity development programs



184. The above picture shows that the Bank invested more in technical programs and conferences and also considerably invested in leadership programs. The key was to build soft skills , strategic foresight in leaders and focus was put on senior management and principal levels. The Bank started entrenching a coaching culture and coaching skills for line managers was started. The future focus will be on entrenching a mentoring and coaching culture to support strategy execution and performance management

Industrial Relations and Wellness Management

185. The Bank continued to enjoy cordial industrial relations and staff engagement has been the key to ensure strategic alignment. The Bank continued to engage at both Works Council and General Management Committee Level (GEMCO).

186. The Bank continued to implement its policies on Safety, Health and Environment (SHE) and also adopted a robust wellness programming to ensure effective productivity through wellness. The Bank hosted Wellness Days and programmes spearheaded through a cross functional team of Safety, Health, Environmental and Quality (SHEQ) Champions.

The Governor shares a lighter moment with Guest Speaker, Mr Abednego Chigwada, second from right and the suppliers and partners of the wellness interventions during a wellness day.

Contents	Pages

These financial statements were prepared by the Finance Division of the Reserve Bank of Zimbabwe under the direction and supervision of the Director, Ms. Tsitsi Hungwe (PAAB registration number 04556).

RESERVE BANK OF ZIMBABWE

FINANCIAL STATEMENTS

For the year ended 31 December 2019

The Directors of the Reserve Bank of Zimbabwe ('the Bank', 'RBZ') have pleasure in submitting their report for the financial year ended 31 December 2019 as required by section 35 of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

1. NATURE OF BUSINESS

1.1 The Reserve Bank of Zimbabwe was established under the Reserve Bank of Zimbabwe Act [Chapter 22:15].

As required by 'section 6' of the Reserve Bank of Zimbabwe Act [Chapter 22:15] the functions of the Bank are as follows:

a) to regulate Zimbabwe's monetary system;
b) to achieve and maintain the stability of the Zimbabwe dollar;
c) to foster the liquidity, solvency, stability and proper functions of Zimbabwe's financial system;
d) to supervise banking institutions and to promote the smooth operation of the payment system;
e) to formulate and execute the monetary policy of Zimbabwe;
f) to act as banker, financial advisor to, and fiscal agent of the State;
g) whenever appropriate and subject to any written directions given to it by the Finance Minister, to represent the interests of Zimbabwe in international or intergovernmental meetings, multilateral agencies and other organisations in matters concerning monetary policy;
h) to provide banking services for the benefit of:
   (i) foreign governments;
   (ii) foreign central banks or other monetary authorities; and
   (iii) international organisations of which Zimbabwe is a party;
i) to participate in international organisations whose objectives are to pursue financial and economic stability through international monetary co-operation;
j) subject to any written directions given to it by the Finance Minister to undertake responsibilities and perform transactions concerning the State's participation in or membership of international organisations;
k) to exercise any functions conferred or imposed upon it by or in terms of any other enactment.

12 The subsidiaries of the Bank and their activities are listed below:

i) **Fidelity Printers and Refiners (Private) Limited**
- refiners of gold
- printers of currency and securities.

ii) **Aurex (Private) Limited**
- producers of gold jewellery and diamond cutting & polishing.

iii) **Export Credit Guarantee Corporation**
- insurers of Zimbabwe's exports and providers of domestic credit guarantees.
- providers of short-term insurance.

iv) **Finance Trust of Zimbabwe (Private) Limited**
- investment company.

v) **Homelink (Private) Limited**
- providers of money transfer services, promoting and marketing investments and espousing development of housing schemes for Zimbabweans living abroad.

vi) **Carslone (Private) Limited (Dormant)**
- miners of gold.

vii) **Fiscorp (Private) Limited (Dormant)**
- administrators of quasi fiscal activities.

viii) **Tuli Coal (Private) Limited (Dormant)**
- miners of coal.

ix) **Transload (Private) Limited (Dormant)**
- producers of bio-diesel from jatropha.

x) **Venture Capital Company of Zimbabwe (Private) Limited (Dormant)**
- financiers of small to medium size private sector enterprises.

xi) **Zimbabwe Asset Management Corporation (ZAMCO) (Private) Limited**
- purchasers of non-performing loans to strengthen and to resuscitate the financial services sector thus to enhance local production.

xii) **ResZim Investments (Private) Limited**
- investment Company.

xiii) **Arigato (Private) Limited**
- investment company

xiv) **Hailcat (Private) Limited**
- investment company

The Bank does not consolidate the results of its subsidiary companies. Refer to 'note 2' of the financial statements on the Bank's basis of preparation of financial statements.

2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of the financial statements that present the state of affairs of the Bank. These include statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity for the year then ended and other information contained in this report. In order to meet the above requirements, the Directors are responsible for maintaining adequate accounting records and internal controls to safeguard the assets of the Bank and to prevent and detect fraudulent activities. The internal control systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements of the Bank are prepared and presented in accordance with the requirements of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. Accordingly, these financial statements have been prepared as outlined in the basis of preparation in 'note 2' and the accounting policies as determined by the Directors, as set out in 'note 3' to the financial statements. The accounting policies are prepared on the basis of Internation-al Financial Reporting Standards (IFRS), except as described in 'note 2' to the financial statements.

The Directors consider the accounting policies adopted to be suitable for the intended users of these financial statements. The financial statements are prepared to comply with International Accounting Standard (IAS) 29 'Financial Reporting in Hyper Inflationary Economies ' following the directive issued by the Public Accountants and Auditors Board (PAAB) in October 2019. All entities reporting under IFRS are required to comply with require-ments of IAS 29 'Financial Reporting in Hyper Inflationary Economies' for reporting periods 1 July 2019 onwards. The inflation adjusted financial statements are the primary financial statements. The historical cost financial statements have been presented as supplementary informa-tion. Freehold land & buildings, invest-ment properties and unquoted shares were revalued at the reporting date. Assets and liabilities that are denominated in currencies other than the Zimbabwe dollar (ZW$) were translated to the functional currency in compliance with International Financial Reporting standards (IFRS). The audited financial statements are presented in Zimbabwe dollars (ZW$). These were audited by the Bank's independent auditors, Ernst & Young, who were given unrestricted access to all the accounting records and supporting documentation. The Directors have the power to recall and amend these financial statements.

3. BOARD OF DIRECTORS

The Bank is governed by a Board of Directors appointed in accordance with the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The Board is chaired by the Governor as Executive Chairman and consists of the two Deputy Governors and other appointed Non-Executive Directors. During the year under review, two boards superintended over the Bank. The old Board's term expired on the 23rd of June 2019 and the new Board was appointed on the 10th of September 2019.

3.1 BOARD MEMBERS

The following were the Board members whose term expired on the 23rd of June 2019:-

Name	Designation
Dr. J.P. Mangudya	Governor and Board Chairman (Executive)
Mrs. R. Likukuma	Deputy Chairman (Independent Non -Executive Director)
Dr. K. Mlambo	Deputy Governor (Executive)
Dr. J.T. Chipika	Deputy Governor (Executive)
Mrs. P. Chapendama	Independent Non -Executive Director
Mr. Z.R. Churu	Non-Executive Director
Mr. C.R. Maradza	Independent Non -Executive Director
Mrs. V. Mudimu	Independent Non -Executive Director
Mr. O.J.S. Mukumba	Independent Non -Executive Director
Mr. L. Murahwa	Independent Non -Executive Director
Mr. J.S. Mutizwa	Independent Non -Executive Director
Mr. M.Z. Nyabadza	Independent Non -Executive Director

The following were appointed to the Board on the 10th of September 2019: -

Name	Designation
Dr. J.P. Mangudya	Governor and Board Chairman (Executive)
Mr. K.C. Katsande	Deputy Chairman (Independent Non -Executive Director)
Dr. K. Mlambo	Deputy Governor (Executive)
Dr. J.T. Chipika	Deputy Governor (Executive)
Mrs. M. Dzumbunu	Independent Non -Executive Director
Mr. Z.R. Churu	Non-Executive Director
Mr. I.E. Manikai	Independent Non -Executive Director
Prof. J.T. Parwada	Independent Non -Executive Director
Mr. B. Moyo	Independent Non -Executive Director
Prof. L. Sibanda	Independent Non -Executive Director
Ms. B. Muswaka	Independent Non -Executive Director
Mrs. E. Fundira	Independent Non -Executive Director
Dr. C.M. Fundanga	Independent Non -Executive Director

3.2 BOARD COMMITEES

The Board has three committees which help it to discharge its mandate. The committees have clearly defined terms of reference setting out their roles, responsibilities and reporting procedures. All the three committees were fully constituted during the year.

The committees are as follows:

i. Audit and Oversight Committee,
ii. Human Resources and Corporate Governance Committee , and
iii. Banking Sector Stability Committee.

3.2.1 AUDIT AND OVERSIGHT COMMITTEE

This committee assists the Board of Directors in fulfilling its oversight responsibilities in relation to the Bank's financial reporting, internal control systems and internal and external audit functions.

Consistent with good corporate governance practice, no Bank executive is a member of the Audit and Oversight Committee. The committee met regularly with the Bank's external auditors and senior management to review accounting, auditing, internal control and financial reporting matters. Both internal and external auditors have unrestricted access to the Audit and Oversight Committee.

3.2.2 HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

The committee's mandate is to give guidance on the Bank's governance issues, compensation, succession planning, performance management, Board remuneration and performance.

3.2.3 BANKING SECTOR STABILITY COMMITTEE

This committee provides guidance to the Board on their mandate of promoting banking sector stability including identification of inherent risks in the Bank's relevant policies .

4. MONETARY POLICY COMMITTEE (MPC)

The Monetary Policy Committee was also appointed in September 2019 in line with Section 29(b) of the Reserve Bank of Zimbabwe Act [Chapter 22:15] . Section 29(b)(1) requires the appointment of 'a Monetary Policy Committee independent of the Board consisting of the Governor as the chairperson, the Deputy Governor or Deputy Governors as the deputy chairperson or deputy chairpersons as the case may be and not less than five or more than seven other persons '. The following are the members of the Monetary Policy Committee :

Name	Designation
Dr. J.P. Mangudya	Governor and Board Chairman (Executive)
Mr. K. Katsande	Deputy Chairman (Independent Non -Executive Director)
Dr. K. Mlambo	Deputy Governor (Executive)
Dr. J.T. Chipika	Deputy Governor (Executive)
Mr. E. Cross	Independent Non -Executive Director
Mr. D.T. Munatsi	Independent Non-Executive Director
Prof. A. Chakravarti	Independent Non -Executive Director
Ms. M. Ngwenya	Independent Non -Executive Director

The Monetary Policy Committee's functions as stated in Section 29 (b) are as follows: -

a) to determine the monetary policy of Zimbabwe, including the setting of limits on open market operations by the Bank; and

b) to ensure price stability as defined by the Government's inflation target set out in the National Budget; and

c) to determine interest rates for the economy in line with the Government's economic policies and targets for growth and employment; and

d) to perform such other functions related to monetary policy, as the Minister may prescribe by regulations.

5. ACCOUNTING POLICIES

The accounting policies adopted by the Bank are set out in 'note 3' to the financial statements.

6. RESULTS OF THE BANK'S OPERATIONS

The Bank realized a n inflation adjusted deficit of ZW$7.3 billion (2018 surplus: ZW$0.3 billion) as indicated below:

	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZW$	ZW$	ZW$	ZW$
	000	000	000	000
Surplus /(Deficit) from Bank operations	(7,492,121)	581,067	(6,358,089)	117,536
Financial assets impairment reversal	1,06 3,699	27,548	34,373	4,435
Monetary loss	(906,455)	(350,246)	-	-
Surplus /(Deficit) for the year	(7,334,877)	258,369	(6,323,715)	121,971

The deficit is emanating mostly from unrealised exchange losses on legacy debt with binding contracts (bank nostro gaps) which the Government is still verifying before taking over the legacy debt. Also, interest expense and arrangement fees on foreign lines of credit that the Bank is managing on behalf of Government contributed significantly to the deficit for the year.

Ordinarily, foreign loans secured to stabilize a country's economy should be on Central Government books. The Bank borrows on behalf of Government as mandated by section 7(n) of the RBZ Act [Chapter 22:15]Central banks by nature are not for profit organisations. This means that they may make losses in pursuit of sound economic policies. Zimbabwe is going through a tough economic phase without international foreign reserves. The Government through the central bank is therefore forced to borrow to fund critical imports that include fuel, grain, electricity and other basic commodities amongst others. This results in huge interest expense in the central bank's books. Government agreed to freeing the Bank of this interest expense burden. Government processes take long to be concluded hence the Bank did not treat this interest as a recoverable in its books since it is waiting for the conclusion of paperwork.

Also, prices of goods and services were increasing during the year as most suppliers pegged their prices against the US$ rate and some Bank expenses, e.g. software licence fees, are paid for in foreign currency. The movement of Z$1 billion (2018: ZW$28 million) in legacy loans and advances was due to Government repayment of a previously provided for loan.

7. BANK POLICY RATES

The Bank reviewed overnight lending rates during the year with the highest rate pegged at 70% as the rate had been reduced to 35% per annum.

8. SAVINGS BONDS

The Bank had a total of ZW$2 billion (2018: ZW$13 billion) worth of savings bonds in issue as at 31 December 2019 which were used to mop up excess liquidity in the market. In its Mid-Term Monetary Policy Statement, the Bank introduced USD-denominated Savings Bonds and at year end, US$12 million (ZW$200 million) of these bonds were in issue.

9. STATUTORY RESERVES

The Bank had ZW$918 million worth of statutory reserves as at 31 December 2019. The 5% statutory reserve requirement on RTGS balances for commercial banks helps to mop up excess liquidity from the market .

10. CREDIT ENHANCING MEASURES

The MPC operationalized credit enhancing measures through the creation of a Medium-term Bank Accommodation (MBA) window to support banks with productive sector funding requirements. A total of ZW$800 million had been disbursed under the MBA window as at 31 December 2019.

11. NOSTRO STABILISATION FACILITIES

During the year 2019, Government through the Bank, sought and accessed offshore facilities for the country to support the balance of payments requirements of the economy as well as to liquefy the Interbank Foreign Exchange Market. To this end, the Bank accessed in excess of US$1.5 billion from new and existing revolving offshore facilities from Afreximbank (including Letters of Credit facilities), Gemcorp and Fuel Suppliers.

These offshore facilities enabled the Government to provide critical foreign exchange support to the market for the importation of petroleum products, electricity, grain, crude cooking oil, medicals, fertilizer, agro chemicals and other raw materials for use by industry. Key export commodities including minerals, cotton and tobacco continued to provide the anchor in terms of both securing and repayment of these facilities.

12. LOANS AND ADVANCES TO GOVERNMENT AND TO STATUTORY BODIES

Loans and advances to Government were ZW$331 million (2018: ZW$22 billion) as at end of year 2019. Included in this figure is a total ZW$153 million paid for maize importation on behalf of Government.Government paid some of its debts through issuance of TBs worth ZW$4 billion during the year under review. The TBs have varying tenure of between five and fifteen years.

13. INFLATION DEVELOPMENTS

The country witnessed high inflation rates during the year under review with the month on month rate reaching a peak of 39.3% in June. At year end the rate had receded to 16.6%. The Public Accountants and Auditors Board (PAAB) issued a directive in October 2019 for all entities reporting under IFRS to comply with requirements of IAS 29 'Financial Reporting in Hyper Inflationary Economies' for reporting periods 1 July 2019 onwards. IAS 29 'Financial Reporting in Hyper Inflationary Economies' has been applied to these financial statements.

14. INTER-BANK FOREIGN EXCHANGE MARKET AND LEGAL TENDER

On the 20th of February 2019, the Governor issued a Monetary Policy Statement (MPS) which established the inter-bank foreign exchange market. Trading opened at ZW$2.50 against US$1 on the 22nd of February 2019 and closed the year at ZW$16.77 to US$1. The same MPS introduced the local settlement of Nostro FCA transactions on the RTGS platform with effect from the 25th of February 2019 under SI 33 of 2019. On June 24 2019, Government issued an additional SI 142 of 2019 that outlawed the use of multi currencies in the country.

The Bank introduced new currency (ZW$) in September 2019 which co-circulates at par with bond notes, bond coins and RTGS$.

15. BLOCKED FUNDS

Government, through the Bank, committe d to orderly settlement of blocked funds. These are funds that the country could not remit due to lack of foreign currency for periods before the introduction of exchange rate on 22 February 2019. The commitment is in line with the debt taken over by Government under the RBZ Debt Assumption Act of 2015.

The blocked funds assumption has the following steps: -

i. Validation of blocked funds by Exchange Control and Debt Management Office
ii. Accounting treatment of blocked funds
iii. Determination of method of expunging/settlement of the blocked funds
iv. Legal instrument to put into effect number (iii) above

16. BASIS OF FUNDING

Since the Bank is ordinarily a 'not for profit' organisation and the world over, some central banks have been in perpetual deficits but operating, the Bank prepared these financial statements on a going concern basis. Government is in the process of consolidating and taking over foreign loans and liabilities in the Bank's books per Section 7(n) of the RBZ Act [Chapter 22:15]. This take over will relieve the Bank of the interest expense burden and exchange losses which are significant expenses in the Bank's books.

The Bank's exchange losses/gains are treated as either assets or liabilities in the Bank's books with realised losses or gains treated as either receivable from or payable to Government respectively per section 34 of the RBZ Act [Chapter 22:15]. The Bank borrows on behalf of Government as required by Section 7(n) of the RBZ Act [Chapter 22:15]. These borrowings assist the State to prop up the economy. Government consent or approval is part of the process in sourcing these lines of credit. Government through the Ministry of Finance and Economic Development issues a letter of support yearly, when required, to buttress its commitment to continued support of the central bank operations.

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 18 to 86 were approved by the Board of Directors on 24 June 2020. In line with the Reserve Bank of Zimbabwe Act following officials to sign the financial statements :

Dr. J.P. Mangudya	**Governor and Board Chairman**
Mr. K.C. Katsande	**Deputy Board Chairman and Audit and Oversight Committee Chairman**
Dr. K. Mlambo	**Deputy Governor**
Dr. J.T. Chipika	**Deputy Governor**
Mrs. V. Sithole	**Acting Bank Secretary & Director Legal and Corporate Affairs**

Dr. J.P. Mangudya
Governor,
Board Chairman

Mr. K.C. Katsande
Deputy Board Chair
Audit and Oversight Committee Chairman

Dr. K. Mlambo
Deputy Governor

Dr. J.T. Chipika
Deputy Governor

Mrs. V. Sithole
Acting Bank Secretary & Director Legal and Corporate Affairs

Date: 24 June 2020

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Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF THE RESERVE BANK OF ZIMBABWE AND THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

Report on the Audit of the Annual Financial Statements

Adverse Opinion

We have audited the inflation adjusted annual financial statements of Reserve Bank of Zimbabwe as set out on pages 18 to 82, which comprise the inflation adjusted annual statement of financial position as at 31 December 2019, and the inflation adjusted statement of comprehensive income, inflation adjusted statement of changes in equity and inflation adjusted statement of cash flows for the year then ended, and notes to the inflation adjusted annual financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying the inflation adjusted annual financial statements do not present fairly the financial position of the Bank as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the Reserve Bank of Zimbabwe Act (Chapter 22:15).

Basis for Adverse Opinion

<u>Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8</u>

As explained in note 3.2.2 to the inflation adjusted annual financial statements, the Bank applied the United States Dollar (US$) as its functional currency for the period 1 January 2018 to 22 February 2019 and the Zimbabwe Dollars (ZWL) for the period 23 February 2019 to 31 December 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Bank changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The inflation adjusted financial statements are presented in ZWL.

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

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

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

Accordingly, the annual financial statements of the Bank included balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflects the economic substance of its value as required by the accounting policies applied by the entity. The directors have provided more information on their approach in Note 3.2.2 to the inflation adjusted annual financial statements.

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

Management's approach in the current year, for reasons explained on Note 3.2.2, was to prospectively apply the change in functional currency from USD to ZWL from 23 February which is incorrect. The correct approach would have been a retrospective restatement as a prior period error in terms of International Financial Reporting Standards – IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors the principles of which are applied in the accounting policies of the entity.

As a result of these matters:

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

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

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

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

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Exchange rates used in the current year (Non-compliance with IAS 21)

As outlined in Note 3.2.1 to the inflation adjusted annual financial statements, for the year ended 31 December 2019, the Bank translated foreign denominated transactions and balances using interbank rates. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21. We believe that the exchange rates for transactions and balances between the US$ and the ZWL used by the Bank did not meet the criteria for appropriate exchange rates in terms of the accounting policies applied by the entity. Had the correct rate been used, a number of significant accounts would have been affected in a material manner.

Valuation of freehold land and buildings and investment properties

The Bank's investment properties and freehold land, leasehold properties and buildings are carried at ZWL134 million and ZWL1 billion respectively as at 31 December 2019. The Bank's properties were revalued as at that date using inputs denominated in the United States Dollar currency and converted to local currency using the interbank rate per Note 18 and Note 19 to the inflation adjusted financial statements. Commercial and industrial buildings were valued in terms of the income capitalisation method/implicit investment approach, while residential properties were valued in terms of the market comparable approach. Both valuation methods rely on historical market evidence for calculation of inputs. This includes transaction prices for comparable properties, annual rentals and capitalisation rates. However, using United States Dollar historical data and applying conversion rate to those United States Dollar valuation inputs to calculate Zimbabwe Dollar property values would in our view not be an appropriate reflection of market dynamics. There is therefore a disagreement with management on the inputs used. Owing to the nature of the matter and the inputs arriving from external sources and not the accounting records, we are unable determine the appropriate correct inputs and therefore cannot quantify the possible impact.

Overall impacts

Furthermore, notwithstanding that the accounting policies also include the requirements from IAS 29 - Financial Reporting in Hyperinflationary Economies which has been applied from 1 January 2019 to 31 December 2019, it is noted that its application was based on prior and current periods' financial information for which we are modifying in respect of the non-correction of the prior period errors and other current year matters as described above. Had the correct base numbers been used, most elements of the inflation adjusted annual financial statements would have been materially different and as such we were unable to quantify the full and correct impact of most of the above matters on the financial statements.

The effects of the above departures from the accounting policies applied by the entity are material and pervasive to the inflation adjusted annual financial statements.

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

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Emphasis of matter on the Basis of Preparation

We draw attention to Note 2 to the inflation adjusted financial statements which describes the basis of preparation. The inflation adjusted financial statements are prepared to comply with the requirements of the Reserve Bank of Zimbabwe Act (Chapter 22:15) and as a result the inflation adjusted financial statements may not be suitable for another purpose.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the inflation adjusted annual financial statements that include the Director's Report as required by the Reserve Bank of Zimbabwe Act (Chapter 22:15) but does not include the financial statements our auditor's report there on.

Our opinion on the inflation adjusted annual financial statements do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standards.

Responsibilities of the Directors for the Inflation adjusted annual financial statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Reserve Bank of Zimbabwe Act (Chapter 22:15). and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement. whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the inflation adjusted annual financial statements

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

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

- Identify and assess the risks of material misstatement of the inflation adjusted annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted annual financial statements financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted annual financial statements of the current period and are therefore the key audit matters.

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Independent Auditor's Report - continued

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

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted annual financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Reserve Bank of Zimbabwe Act (Chapter 22:15).

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

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

30 June 2020

RESERVE BANK OF ZIMBABWE
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	INFLATION ADJUSTED 2019 ZW$ 000	INFLATION ADJUSTED 2018 ZW$ 000	HISTORICAL COST * 2019 ZW$ 000	HISTORICAL COST * 2018 ZW$ 000
Interest income	7.1	1,476,245	2,550,830	502,696	313,751
Commission income	7.2	40,678	81,500	14,645	9,767
Interest and commission expense	7.3	(3,296,388)	(1,890,367)	(1,687,893)	(232,339)
Net interest and commission income/ (expense)		**(1,779,465)**	**741,963**	**(1,170,552)**	**91,179**
Other income	7.4	444,959	1,031,610	377,565	121,942
Net interest and commission income/ (expense) after other income		**(1,334,506)**	**1,773,573**	**(792,987)**	**213,121**
Operating costs	7.5	(6,157,615)	(1,192,506)	(5,565,101)	(95,585)
Surplus/(Deficit) For The Year Before Reversal Of Impairment Of Financial Assets And Monetary Gain/loss		**(7,492,121)**	**581,067**	**(6,358,088)**	**117,536**
Reversal of financial assets impairment	8	1,063,699	27,548	34,373	4,435
Monetary loss		(906,455)	(350,246)	-	-
Surplus/(Deficit) for the year		**(7,334,877)**	**258,369**	**(6,323,715)**	**121,971**
Other comprehensive income					
Fair value gain on investments	22	367,052	89,807	490,656	18,121
Total fair value gain		367,052	89,807	490,656	18,121
Revaluation gain on properties	21	517,853	-	901,959	-
Total comprehensive income for the year		**884,905**	**89,807**	**1,392,615**	**18,121**
Total surplus/(deficit) for the year		**(6,449,972)**	**348,177**	**(4,931,100)**	**140,092**

*The Historical Cost information has been shown as supplementary information for the benefit of users. These are not required in terms of International Accounting Standard (IAS 29)' Financial Reporting in Hyperinflationary Economies'. The Auditors have not expressed an opinion on the Historical Cost information. This applies to all Historical Cost information in these statements.

RESERVE BANK OF ZIMBABWE
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019

	NOTES	INFLATION ADJUSTED 2019 ZW$ 000	INFLATION ADJUSTED 2018 ZW$ 000	HISTORICAL COST 2019 ZW$ 000	HISTORICAL COST 2018 ZW$ 000
Assets					
Cash and bank balances	9	2,520,433	538,835	2,520, 433	86,748
Gold and foreign assets	10	2,212,756	1,318,761	2,212,756	212,310
Financial securities	11	6,828,364	12,809,217	6,828,36 4	2,062,178
Receivables	12	59,981,415	10,306,753	59,950,899	1,659,302
Loans and advances to government	13	331,308	22,00 4,674	331,308	3,542,571
Other loans and advances	14	3,828,551	4,915,492	3,828,551	791,354
Other investments	15	74,250	147,321	74,250	23,717
Investments in subsidiaries	16	699,106	762,941	112,550	122,827
Non-current assets held for sale	17	475	4,659	475	750
Investment property	18	134,187	72,737	134,187	11,710
Property and equipment	19	1,063,099	524,880	997,945	81,348
Total Assets		**77,673,944**	**53, 406,269**	**76,991,717**	**8,594,815**
Equity and Liabilities					
Capital and reserves					
Share capital	20	12,423	12,423	2,000	2,000
Share premium	20	608,727	608,727	98,000	98,000
Revaluation reserve	21	517,853	-	909,071	7,112
Mark to market	22	456,859	89,807	549,187	58,532
General reserve fund	23	-	-	-	-
Accumulated surplus /(deficit)	24	(5,426 ,140)	1,908,737	(6,070,763)	252,952
Surplus / (deficit) attributable to equity Shareholders		**(3,830 ,278)**	**2,619,694**	**(4,512,505)**	**418,596**
Liabilities					
Notes and coins in circulation	25	1,077,404	3,245,778	1,077,404	522,543
Deposit accounts	26	9,155,270	17,262,227	9,155,270	2,779,076
Payables	27	52,120	688,555	52,120	110,851
Term deposits	28	2,140,725	16,753,441	2,140,725	2,697,166
Foreign liabilities	29	61,205,222	9,903,929	61,205,222	1,594,451
International Monetary Fund facilities	30	7,873,481	2,932,645	7,873,481	472,132
Total liabilities		**81,504,222**	**50,786,575**	**81,504,222**	**8,176,219**
Total equity and liabilities		**77,673,944**	**53,406,269**	**76,991,717**	**8,594,815**

RESERVE BANK OF ZIMBABWE
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019

Dr. J.P. Mangudya
Governor,
Board Chairman

Mr. K.C. Katsande
Deputy Board Chairman,
Audit and Oversight Committee Chaiman

Dr. K. Mlambo
Deputy Governor

Dr. J.T. Chipika
Deputy Governor

Mrs. V. Sithole
Acting Bank Secretary & Director Legal and Corporate Affairs

Date: 24 June 2020

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

	Share Capital ZW$	Share Premium ZW$	Revaluation Reserve ZW$	Mark to Market Reserve ZW$	General Reserve Fund ZW$	Accumulated deficit ZW$	Total ZW$
Balance as at 1 January 2018	12,423	608,727	-	-	-	1,650,368	2,271,518
Surplus of the year	-	-	-	-	-	258,369	258,369
Revaluation surplus on revaluation of immovable property	-	-	-	89,807	-		89,806
Balance at 31 December 2018	**12,423**	**608,727**	**-**	**89,807**	**-**	**1,908,737**	**2,619,693**
Deficit for the year	-	-	-	-	-	(7,334,877)	(7,334,877)
Fair value gains on investments	-	-	-	367,052	-	-	367,052
Revaluation gain on properties	-	-	517,853	-	-	-	517,853
Balance at 31 December 2019	**12,423**	**608,727**	**517,853**	**456,859**	**-**	**(5,426,140)**	**(3,830,279)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

	Share Capital ZW$	Share Premium ZW$	Revaluation Reserve ZW$	Mark to Market Reserve ZW$	General Reserve Fund ZW$	Accumulated (Deficit)/Surplus ZW$	Total ZW$
Balance as at 1 January 2018	2,000	98,000	7,112	40,411	-	153,579	301,102
Surplus of the year	-	-	-	-	-	99,373	99,373
Revaluation surplus on revaluation of immovable property	-	-	-	18,121	-		18,121
Balance at 31 December 2018	**2,000**	**98,000**	**7,112**	**58,532**	**-**	**252,952**	**418,596**
Deficit for the year	-	-	-	-	-	(6,323,715)	(6,323,715)
Fair value gains on investments	-	-	-	490,655	-	-	490,655
Revaluation gain on properties	-	-	901,959	-	-	-	901,959
Balance at 31 December 2019	**2,000**	**98,000**	**909,071**	**549,187**	**-**	**(6,070,763)**	**(4,512,505)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS - INFLATION ADJUSTED

For the year ended 31 December 2019

	2019 ZW$ 000	2018 ZW$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows		
Surplus/(Deficit) for the year	(7,334,877)	258,370
Adjustment for items not affecting operating cash flows		
-Government grant treasury bills (refer note 7)	-	(672,387)
-Depreciation (refer note 7)	17,552	32,263
-Fair value loss/(gain) in investment property (refer note 18)	(61,451)	47,294
-(Revaluation)/Impairment of investments	23,648	(27,548)
-Loss on foreign exchange transactions	4,787,363	-
-Bad debt	-	4,579
-Expected credit losses	147,956	69,848
-Profit on disposal of property and equipment	(830)	(136)
-Sundry assets disposal	-	(162)
-Reversal of financial assets impairment	(1,063,699)	(53,357)
-Other accrued interest receivable	(1,211,709)	(2,500,190)
-Interest expense (refer note 7.3)	3,296,388	1,910,940
-Derecognition of liabilities	(15,472)	(498)
-Monetary loss/(gain)	906,455	350,246
	(508,677)	**(580,739)**
Interest and commission paid		
-Interest and commission paid	(1,008,787)	(175,076)
Operating cash flows before movements in working capital	**(1,517,464)**	**(755,815)**
Movements in working capital		
Increase in receivables	(974,565)	(223,894)
Decrease in deposit accounts	6,367,487	2,074,181
(Increase)/decrease in payables	(1,045,200)	(4,585,178)
Increase in advances	(1,394,537)	(17,838,448)
Net cash flows from working capital movements	**2,953,185**	**(20,573,339)**
Net cash inflow/(outflow) from operating activities	**1,435,721**	**(21,329,154)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS - INFLATION ADJUSTED (continued)

For the year ended 31 December 2019

	2019 ZW$ 000	2018 ZW$ 000
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing Activities		
Purchase of shares and financial securities	(955,309)	(1,797,399)
Proceeds from disposal of property and equipment	1,268	8,429
Purchase of property and equipment (refer to note 39)	(63,625)	(51,338)
Dividend & Interest received	64,418	377,889
Net cash from Investing Activities	**(953,248)**	**(1,462,419)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in liabilities	769,341	21,076,772
Increase in legacy debt	768,450	-
Net cash from Financing Activities	**1,537,791**	**21,076,772**
(Decrease)/Increase in cash and cash equivalents due to revaluation	(38,666)	(323,650)
DECREASE IN CASH AND CASH EQUIVALENTS	**1,981,598**	**(2,038,451)**
Cash and cash equivalents at beginning of the year	**538,835**	**2,577,286**
-Balances with foreign banks	523,213	2,531,272
-Foreign currency	8,789	36,306
-Committed funds	6,833	9,708
Cash and cash equivalents at end of the year	**2,520,433**	**538,835**
-Balances with foreign banks	2,408,137	523,213
-Foreign currency	111,172	8,789
-Committed funds	1,127	6,833

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS - INFLATION ADJUSTED (continued)

For the year ended 31 December 2019

	2019 ZW$ 000	2018 ZW$ 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows		
Surplus/Deficit for the year	(6,323,716)	121,971
Adjustment for items not affecting operating cash flows		
-Government grant treasury bills (refer note 7)	-	(77,100)
-Depreciation (refer note 7)	5,745	5,194
-Fair value loss/(gain) in investment property (refer note 18)	(122,477)	1,890
-(Revaluation)/Impairment of investments	18,822	(1,353)
-Unrealised exchange losses on legacy debt	4,787,363	-
-Bad debt	-	737
-Expected credit losses	147,956	11,244
-Profit on disposal of property and equipment	(46)	(16)
-Sundry assets disposal	-	(19)
-Reversal of financial assets impairment	(34,373)	(4,435)
-Other accrued interest receivable	(492,320)	(308,726)
-Interest expense (refer note 7.3)	1,687,893	232,339
-Derecognition of liabilities	(3,590)	(56)
	(328,743)	(18,330)
Interest and commission paid		
-Interest and commission paid	(847,591)	(21,389)
Operating cash flows before movements in working capital	**(1,176,334)**	**(39,719)**
Movements in working capital		
Increase in receivables	(956,768)	(27,706)
Decrease in deposit accounts	6,367,486	313,313
(Increase)/decrease in payables	(1,045,315)	(554,694)
Increase in advances	(1,396,415)	(2,203,749)
Net cash flows from working capital movements	**2,968,988**	**(2,472,836)**
Net cash (outflow)/inflow from operating activities	**1,792,654**	**(2,512,555)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS – HISTORICAL COST
For the year ended 31 December 2019

	2019 ZW$ 000	2018 ZW$ 000
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing Activities		
Purchase of shares and financial securities	(944,024)	(213,959)
Proceeds from disposal of property and equipment	334	88
Purchase of property and equipment (refer to note 39)	(43,097)	(8,265)
Dividend & Interest received	40,059	42,999
Net cash from Investing Activities	**(946,728)**	**(179,137)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in liabilities	769,341	2,544,035
Increase in legacy debt	768,450	-
Net cash from Financing Activities	1,537,791	2,544,035
(Decrease)/Increase in cash and cash equivalents due to revaluation	49,968	(57,613)
DECREASE IN CASH AND CASH EQUIVALENTS	**2,433,685**	**(205,270)**
Cash and cash equivalents at beginning of the year	**86,748**	**292,018**
-Balances with foreign banks	84,233	286,804
-Foreign currency	1,415	4,114
-Committed funds	1,100	1,100
Cash and cash equivalents at end of the year	**2,520,433**	**86,748**
-Balances with foreign banks	2,408,137	84,233
-Foreign currency	111,172	1,415
-Committed funds	1,127	1,100

1. REPORTING ENTITY

The Reserve Bank of Zimbabwe is a Statutory Body established in terms of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The Bank's registered office is number 80 Samora Machel Avenue, Harare.

2. BASIS OF PREPARATION

The financial statements of the Bank are prepared and presented as prescribed by the Reserve Bank ofZimbabwe Act [Chapter 22:15]. Accordingly, these financial statements have been prepared in accordance with the accounting policies, as determined by the Directors as set out in 'note 3' to the financial statements. The Directors consider the accounting policies adopted to be suitable for the intended usersof the financial statements.

The financial statements are prepared to comply with International Accounting Standard (IAS) 29 'Financial Reporting in Hyper Inflationary Economies' following the directive issued by the Public Accountants and Auditors Board (PAAB) in October 2019. All entities reporting under IFRS are required to comply with requirements of IAS 29 'Financial Reporting in Hyper Inflationary Economies' for reporting periods 1 July 2019 onwards. The inflation adjusted financial statements are the primary financial statements. The historical cost financial statements have been presented as supplementary information Freehold land & buildings, investment properties and unquoted shares were revalued at the reporting date. Assets and liabilities that are denominated in currencies other than the Zimbabwe dollar (ZW$)were translated to the functional currency in compliance with International Financial Reporting Standards (IFRS).

2.1 Adoption of IAS 29 'Financial Reporting in Hyper Inflationary Economies'

The PAAB issued a directive in October 2019 for all entities reporting under IFRS to comply with requirements of IAS 29 'Financial Reporting in Hyper Inflationary Economies' for reporting periods 1 July 2019 onwards. These financial statements have been pr epared in accordance with IAS 29 'Financial Reporting in Hyper Inflationary Economies' as if the economy had been hyperinflationary from 1 January 2018. Historical statements are included for information purposes only.

The Bank adopted the Zimbabwe Consum er Price Index (CPI) as the general price index to restate balances and transactions. All comparative figures have been restated to reflect the change in the CPI from the start of the reporting period to the end. Assets and liabilities carried at fair vlaue as at 31 December 2019 have not been restated in the current year (2019) as they are presented at the measuring unit current at the end of the reporting period. Statement of Profit or Loss items have been restated by applying restatement factors applicable in the month when the transactions were processed in the Bank's books. All items in the statement of cash flows are expressed based on the restated financial information for the period. A net monetary loss was recognized in the Statement of Profit or Loss.

The restatement factors are obtained by dividing the December 2019 CPI by the relevant month's CPI as shown below:

MONTH	CPI	COVERSION FACTOR
December 2017	62.5	8.7996
December 2018	88.8	6.2115
January 2019	98.4	5.6085
February 2019	100.0	5.5163
March 2019	104.4	5.2847
April 2019	110.1	5.0083
May 2019	124.0	4.4503
June 2019	172.6	3.1957
July 2019	208.9	2.6403
August 2019	246.7	2.2362
September 2019	290.4	1.8996
October 2019	402.9	1.3691
November 2019	473.3	1.1655
December 2019	551.6	1.0000

2.2 Financial Reporting Framework

The Bank presents its statement of financial position in order of liquidity. The accounting policies are prepared on the basis of International Financial Reporting Standards (IFRS), except as described below.

2.2.1 IFRS 3 'Business Combinations' and IFRS 10 'Consolidated Financial Statements'

The financial statements of the subsidiary companies of the Bank are not consolidated. The Directors of the Bank are of the opinion that the nature of the activities of the Bank and its subsidiaries are so diverse that consolidation would not result in meaningful presentation of the results of the Bank and its subsidiaries. This is however, not in accordance with both IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements which require that an entity (the parent) that controls one or more other entities (subsi diaries) should present consolidated financial statements. The Board will consider consolidation in future.

2.2.2 IAS 21 'Effects of changes in foreign exchange rates'

Exchange gains and losses are accounted for in accordance with the provisions of section 34 of the Reserve Bank of Zimbabwe Act [Chapter 22:15] which states that all exchange losses and gains from Gold and Foreign denominated assets are borne by the Bank for the account of Government of Zimbabwe. Therefore, these are held as either receivables or payables (see note '12') on the statement of financial position. The Bank is required to pay the Government of Zimbabwe in the event of realised exchange gains or receive from the Government of Zimbabwe in the event of realised exchange losses. This however does not conform to IAS 21 'Effects of Changes in Foreign Exchange Rates', which requires that all realised and unrealised foreign exchange gains and losses should be recognised in the statement of profit or loss and other comprehensive income.

2.3 Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimat es and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimat e is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years. Management judgment was used in the application of accounting policies that have a significant effect on the financial statements and on estimates with a significant risk of material adjustments in the subsequent year.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in 'note 6' to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration rece ived or receivable, taking into account contractually defined terms.

3.1.1 Interest income

Interest income arises from the Bank's lending and money market activities. It is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable to the instrument.

3.1.2 Fee income

The Bank recognises fees on an accrual basis from licensing services in accordance with the substance of the underlying transaction. Also, the Bank recognises income from facility feesfrom its money market activities. Facility fees are recognised using the effective interest rate of the average life of the underlying asset. Due to the short-term nature of the loans and advances, the facility fees have been amortised equally over the term of the loan as an estimation of the effective interest rate .

3.13 Commission income

The Bank provides RTGS services to financial institutions. Revenue from commission income is recognised when control of the services is transferred to the financial institution at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring to financial institutions.

3.13 Dividend income

Dividend income from investments is recognised when the dividend has been declared.

3.14 Other income

Other income arising from the provision of other banking services to clients is recognised on the accrual basis in accordance with the substance of the underlying transaction.

3.15 Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term.

3.16 Government grant

The Bank recognizes income relating to Government grant at receipt of the grant.

3.2.1 Foreign currency translation

These financial statements are expressed in Zimbabwe Dollars (ZW$). Transactions in currencies other than the ZW$ are recorded at the spot exchange rate on the transaction date. Monetary assets and liabilities carried at amounts that are denominated in currencies other than the ZW$ are translated at the spot exchange rate on the reporting date.

In terms of section 34(1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15], any exchange gains and losses arising on the translation of gold and foreign assets are for the account of the Government of Zimbabwe and are recorded in the gold and foreign currency adjustment account which is disclosed under either 'other receivables' or 'other payables' on the statement of financial position. The Bank has been treating exchange losses for both assets and liabilities per this section from time immemorial. This is so because, ordinarily all foreign borrowings in the Bank's books are for the account of Government.

3.2.2 Presentation and functional currency

For the year ended 31 December 2018 , the Directors' determined functional currency for the Bank was US$ and that year's financial statements were therefore presented in US$. This decision was made after assessing terms of IAS 21 'The Effects of Changes in Foreign Exchange Rates' whether there was a change in functional currency during 2018.

On the 20th of February 2019, the Governor issued the Monetary Policy Statement (MPS) that established the inter-bank foreign exchange market. Trading opened at ZW$2.50 against the US$ on the 22nd of February 2019 and closed the year at ZW$16.77 to US$1. The same MPS introduced the local settlement of Nostro FCA transactions on the RTGS platform with effect from the 25th of February 2019 under SI 33 of 2019. On June 24 2019 , Government issued an additional SI 142 of 2019 that outlawed the use of multi currencies in the country. The Bank then introduced new currency (ZW$) in September 2019 which co-circulates at par with bond notes & coins and RTGS$.

Up until the 22nd of February 2019, bond notes and coins were circulating at par with the US$. Though the 2018 financial statements were presented in US$, in these financial statements, the 2018 comparative figures are presented in ZW$. The comparative figures were converted at 1:1 against the US$ before applying the requirements of IAS 29.

3.3 Employee benefits

3.3.1 Retirement benefit costs

The Bank contributes towards a defined contribution plan. Contributions to this plan are recognised as an expense in the statement of profit or loss and other comprehensive income in the periods in which services are rendered by the employees.

3.3.2 Pension scheme

The Bank and its employees contribute 15% and 6% of pensionable earnings respectively to the Fintrust Pension Fund. The fund is a defined contribution fund, the assets of which are held in a separate trustee administered fund.

3.3.3 Termination benefits

Termination benefits are recognised as an expense when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer encouraging voluntary redundancy, when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.3.4 Short term benefits

Short term benefits consist of salaries, accumulated leave payments and any non-monetary benefits such as medical aid contributions. Short -term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is pr ovided.

A liability is recognised for the amount expected to be paid under accumulated leave if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.4 Taxation

The Bank is exempt from Income Tax and Capital Gains Tax in terms of the Income Tax Act [Chapter 23:06] and the Capital Gains Tax Act [Chapter 23:01].

3.5 Property and equipment

Land and buildings held for use in the provision and supply of services, or for administrative purposes, are initially measured at cost and subsequently stated in the statement of financial position at their revalued amounts, being the fair value at the re porting date, determined from market -based evidence by appraisal undertaken by independent professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regula rity such that the carrying amount does not differ materially from the fair value determined at the reporting date. Property and equipment are revalued after three years in accordance with the Bank's accounting policy. Any revaluation increase arising on the revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount is charged as an expense to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated fund.

Furniture, equipment and motor vehicles are stated at cost less accumulated depreciation and impairment losses, if any. When significant equipment is required to be replaced at intervals, the Bank depreciates them separately based on their specific useful lives. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Depreciation is charged so as to write off the acquisition cost or valuation of assets, other than land and buildings under construction, over their estimated useful lives to their residual values, using the straight line method, on the following basis:

Buildings	50 Years
Machinery	4 Years
Furniture and equipment	4 -10 Years
Motor vehicles	5 Years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised as income or expense in profit or loss. Land is not depreciated in the Bank's books. Land and buildings were revalued in 2019 before the three years as stated by the policy due to IAS 29 requirements.

3.6 Investment property

Investment property, which is property held to earn rentals and or for capital appreciation, is initially measured at cost and subsequently at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials a nd direct labour, any other costs attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes the cost for subsequent accounting.

3.7 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Management determines the appropriate classification at initial recognition of the financial instrument.

All financial assets and liabilities are initially recognised on the trade date i.e., the date the Bank beomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. The Bank's financial instruments con sist primarily of cash and deposits with banks, equity investments, loans and advances to customers, customer deposits, Treasury Bills held to maturity, amounts due to banks, loans and borrowings.

3.7.1 Financial assets

Financial assets are classified into the following categories: financial assets 'at fair value through other comprehensive income' (FVTOCI) and amortised cost. The classification depends on the nature and purpose of the financial asset and it is determined at the time of initial recognition.
The Bank's main financial assets are loans and advances, financial securities, FVTOCI investments and other receivables.

3.7.1.1 Loans and receivables

Receivables, loans and advances to Government and to Statutory Bodies, other loans and advances not quoted on active markets are classified as loans and receivables. These include loans to subsidiaries as well as amounts due from the Government of Zimbabwe and from Statutory Bodies. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method less impairments. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in interest costs for loans and in other operating expenses for receivables. Exchange losses expected from Government are also included in receivables.

3.7.1.2 Gold and foreign assets

Gold and foreign assets are recognised at the rate of exchangeruling when they are acquired and subsequently restated using the spot exchange rate at the reporting date. Gains and losses arising from movements in exchange rate of foreign assets and in the fair value of gold are for the account of the Government of Zimbabwe as stipulated in section 34 (1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

3.7.1.3 Financial assets designated at fair value through othecomprehensive income(FVTOCI)

FVTOCI financial assets are equity investments. After initial measurement, FVTOCI financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income (OCI) and posted in the mark to market reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income. When the investment is determined to be impaired, the cumulative loss is reclassified from the mark to market reserve to the statement of profit or loss as impairment loss. Dividend received whilst holding FVTOCI financial assets is reported as dividend income.

3.7.1.4 Financial securities

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as financial securities when the Bank has the positive intention and ability to hold them to maturity. After initial measurement, financial securities are measured at amortised cost using the effective interest rate method, less, impairment. The effective interest rate amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Bank' s investments in Treasury Bills and other deposits have been classified as financial securities.

3.7.2 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are recognised when the Bank becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets.

The Bank's main financial liabilities include International Monetary Fund ('IMF') facilities, domestic loans, payables, foreign loans, other deposits payable and deposit accounts.

IMF facilities, foreign loans, domestic loans, other deposits payable and interestbearing deposit accounts are subsequently measured at amortised cost using the effective interest rate method.

3.7.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is met. The Bank has not designated any financial liability as fair value through profit or loss.

3.7.2.2 Loans and borrowings

After initial measurement, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or cost that are an integral part of the EIR. The effective interest amortised is included as interest expense in the statement of profit or loss.

This category generally applies to interest bearing loans and borrowings.

3.7.2.3 Currency in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. Currency in circulation represents the face value of notes and coins issued to commercial banks by the Reserve Bank of Zimbabwe. Unissued notes and coins held by the Bank in the vaults are not part of the currency in circulation.

3.8.1 Offsetting financial instruments

The Bank offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where there is a legally enforceable right to set off and there is an intention to settle on a net basis or to realize the financial assets and settle the financial liability simultaneously and the maturity date for the financial assets and liabilities are the same and the financial assets and liabilities are denominated in the same currency.

3.8.2 Impairment and provisioning policies

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Bank to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recogniti on of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Bank to recognise a loss allowance for expected credit losses on:

i. Debt investments measured subseque ntly at amortised cost or at FVTOCI;
ii. Lease receivables;

In particular, IFRS 9 requires the Bank to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Bank is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

For previously impaired legacy Government debt, the Bank has decided to maintain th em fully impaired as required by the Banking Regulations S1 205 of 2000.

3.8.3 Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when it loses control over the contractual rights that comprise the financial asset and transfers substantially all the risks and benefits associated with the financial asset. This arises when the rights are either realised, or they expire or are surrendered.
The Bank derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount of the portion of the asset to be transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed), and any cumulative gain that had been recorded in other comprehensive income is recognised in profit or loss.

3.9 Investments in subsidiaries and joint ventures

A subsidiary is an investment wherein the Bank controls the investee. The Bank controls an investee when it has power to govern the financial and operating policies, is exposed to variable returns from its involvement with the investee and has ability to use its power to affect the amount of the investee's returns.

A joint venture is a contractual arrangement entered into by the Bank and other parties to share control of an economic activity. The strategic financial and operating decisions relating to the economic activity require the consent of the Bank and other parties.

Investments in subsidiaries and joint ventures are stated at cost. Subsequent to initial recognition, the investments in subsidiaries or joint ventures are carried at cost less any accumulated impairment. Subsidiaries and joint ventures are tested for impairment on an annual basis and impairments are accounted for through statement of profit or loss.

3.10 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.11 Leases

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and reward s of ownership of these properties and accounts for the contracts as operating leases. Rental income and expenditure under operating leases is accounted for through profit or loss on a straight line basis, over the period of the lease.

3.12 Non-current assets held for sale

Non-current assets are classified as held for sale when:

i. they are available for immediate sale;
ii. management is committed to a plan to sell;
iii. it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.
iv. an active programme to locate a buyer has been initiated;
v. the asset is being marketed at a reasonable price in relation to its fair value; and
vi. the sale is expected to be completed within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

i. their carrying amount immediately prior to being classified as held forsale in accordance with the Bank's accounting policy, or
ii. fair value less cost to sell.

Following their classification as held for sale, non-current assets are not depreciated.

3.13 Fair value measurement

The Bank measures non-financial assets, such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactio n to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or
ii. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantage ous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumption s that market participants would use when pricing the asset or liability, assuming that market participants act in their economic bestinterest. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.13 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1. Quoted (unadjusted) market pri ces in active markets for identical assets or liabilities.
ii. Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
iii. Level 3. Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.14 Rounding Off

Amounts in these financial statements are rounded to the nearest thousand (000)unless otherwise stated.

3.15 Comparative Information

Certain comparative information may be reclassified where necessary for consistency with the current year presentation.

4. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

The Bank has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective.

5. NEW STANDARDS & INTERPRETATIONS IN ISSUE AND STANDARDS APPLIED

5.1 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provi ded that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at curre nt fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Bank.

5.2 IAS 29 'Financial Reporting in Hyper Inflationary Economies'

IAS 29 applies to any entity whose functional currency is the currency of a hyperinflationary economy. The Standard does not establish an absolute rate at which hyperinflation is deemed to arise, but allows judgment as to when restatement of financial stat ements becomes necessary. The standard considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following:

i. the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
ii. the general population regards monetary amounts not in terms of the local c urrency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
iii. sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
iv. interest rates, wages and prices are linked to a price index;
v. the cumulative inflation rate over three years is approaching, or exceeds 100%

In view of the above, the current business operating environment is consistent with most of the hyperinflationary conditions listed above. Hence the pronouncement by the PAAB on the application of IAS 29 effective 1 July 2019. These financial statements have been restated to comply with the requirements of IAS 29.

6. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE BANK'S ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, the Directors have made the following judgments and estimates that have a significant effect on the amounts recognised in the financial-statements.

6.1 Property and equipment useful lives, residual values and depreciation rates

The Bank's property and equipment are depreciated using depreciation rates, useful lives and residual values estimated by the Directors. The Bank's policy allows revaluation of its property and equipment after every three-year interval. The Bank's land and buildings were independently revalued based on open market values as at 31 December 2019, by external property valuers.

In doing their professional work of valuation for the year under review, Bank valuers were faced with challenges due to introduction of the Zimbabwean dollar and abolishing of use of multi currencies. After the introduction of ZW$, the property market became frozen, with owners of properties holding on to their properties making it difficult for valuers to professionally do their job since valuations rely on historical costs. The values were thus done in US$ and the Bank used official exchange rate to come up with ZW$ values. The assumptions above may cause the actual realisable values on land & buildings and investment properties to be either over/understated due to other dynamics in the property market, e.g., availability of liquidity.

6.2 Fair valuation of investment properties

The fair value of investment properties at year -end was independently determined by the Bank's property valuers. This resulted in a fair value increase of ZW$61.4 million The Directors have reviewed the results of the independent valuation for reasonableness and they believe the investment properties have been fairly valued. The key assumptions used in the fair valu e of investment property are further explained below:

The valuations were conducted in accordance with International Valuation Standards using the following assumptions:

i. The properties have no significant structural defects and that any defects would not require more than the normal level of maintenance and expenditure
ii. Each property is not contaminated and is not adversely affected by any existing or proposed environmental law.
iii. There are no abnormal ground conditions, or archaeological remains present, which might adversely affect the present or future occupation, development or value of the properties. Each property is free from rot, infestation and structural or latent defect.
iv. No currently known deleterious or hazardous materials or suspect techniqu es have been used in the construction of, or subsequent alterations or additions to each of the properties.

The key assumptions used and the inputs into the valuation methods are disclosed in 'note 3 6'.

6.3 Impairment of loans and advances

The Bank has adopted IFRS 9 which introduced a forward looking impairment model for all financial instruments. Expected Credit Loss (ECL) models have been applied to financial assets. These models were back tested and the results did not warrant a change o r recalibration of the initial models implemented in 2018.

6.4 Investments in subsidiaries and unquoted shares

Investments in subsidiaries are stated at cost less accumulated impairment, if any. The Bank tests all investments in subsidiaries for impairment on an annual basis. The breakdown of investments and impairments are disclosed in 'note 16'.

The Bank's investments in unquoted shares are in Infrastructural Development Bank of Zimbabwe (IDBZ) and African Import Export Bank (Afreximbank). The Bank engaged services of professional consultants for the independent fair valuation of its investments in IDBZ and Afreximbank. The Directors have reviewed the results of the independent valuations for reasonableness and they believe the investments in unquoted shares have been fairly valued. The key methods and assumptions used and the inputs into the valuation methods are disclosed in ' note 15' and 'note 34.3'.

6.5 Provision for legal disputes

The Bank's legacy legal issues continued during the year. The Directors do not believe that there will be an outflow of resources from the Bank arising from these cases other than already provided for, except from the cost of defending the cases. Consequently, no additional provision has been made for these cases.

7. INCOME AND EXPENDITURE

	INFLATION 2019 ZW$ 000	ADJUSTED 2018 ZW$ 000	HISTORICAL COST 2019 ZW$ 000	2018 ZW$ 000
7.1 Interest income comprise:				
Interest income				
- Interest on Treasury Bills (foreign and local Treasury Bills)	662,002	778,906	280,099	95,057
- Interest on local and foreign bank balances	21,999	2,976	8,575	544
- Interest on Government loans & advances	547,192	1,436,369	106,040	176,921
- Interest on advances to financial institutions	245,052	332,579	107,982	41,229
	1,476,245	**2,550,830**	**502,696**	**313,751**
Interest earning assets as at 31 December 2019 were ZW$10 billion (2018: ZW$39 billion). (See note 34.2) The average interest rate on assets was 7.2% per annum (2018: 6.4%).				
7.2 Commission earned (RTGS)	**40,678**	**81,500**	**14,643**	**9,767**
The performance obligation is the delivery of RTGS services and is satisfied upon delivery of the service and payment made.				
7.3 Interest and Commission expense	**3,296,388**	**1,890,367**	**1,687,893**	**232,339**
Interest and commission expenses consists of interest on savings bonds, loans and borrowings. Interest bearing liabilities as at 31 December 2019 were ZW$37 billion (2018: ZW$25 billion). (See note 34.2) The average interest rate charged on liabilities was 7.52% per annum (2018:7.6%).				
7.4 Other income comprises:				
Dividends from shares (local and foreign)	105,352	30,874	61,543	3,549
Government grant (budgetary support)	33,663	96,644	12,000	12,000
Government Grant Treasury Bills	-	672,387	-	77,100
Licensing fees, customs declaration (CD) forms	14,357	17,339	3,978	7,371
Mark to market revaluation on investment property	61,450	-	122,477	-
Reversal of impairment Aurex	14,162	-	2,280	-
Reversal of devaluation - buildings	33,168	-	4,941	-
Other income (derecognition of liabilities)	-	347	-	56
Fees received and other income	240,095	207,388	168,597	21,023
Profit on disposal of property and equipment	252	298	46	35
Rent receivable	3,910	6,680	1,703	808
	444,959	**1,031,610**	**377,565**	**121,942**

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		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
7.5	**Operating expenses**	**6,157,615**	**1,192,506**	**5,565,101**	**95,585**
	Included in operating expenses are:				
	Auditors' remuneration	1,312	2,107	267	274
	Advertising Expenses	2,991	2,982	2,431	480
	Bond notes & coins printing	-	86,009	-	13,847
	Computer software licences	22,037	18,659	10,517	2,220
	Depreciation of property and equipment	17,552	32,261	5,745	5,194
	Impairment of unquoted investments	174,759	247,470	23,763	3,312
	Impairment of investment property	-	47,294	-	1,890
	Unrealised exchange losses on legacy debt	4,787,363	-	4,787,363	-
	Expected credit losses	147,956	69,842	147,956	11,244
	Repairs,maintenance and Bank vehicle expenses	18,514	11,855	9,323	1,520
	Gratuity	-	11,745	-	1,891
	Utility bills and telecommunication	11,564	14,186	6,325	1,679
	Travel	66,959	29,879	32,301	3,588
	External printing	476,528	497	367,567	80
	Courier services	14,555	61	11,489	10
	Employee benefits	**262,763**	**295,086**	**114,918**	**36,225**
	-salaries	179,310	210,166	78,893	25,977
	-staff bonuses	10,011	13,446	4,447	1,660
	-medical expenses	9,348	13,187	3,895	1,594
	-Pension & NSSA contributions	13,213	19,897	5,260	2,417
	-other expenses	50,881	38,390	22,422	4,577
	Directors' fees	2,312	2,923	1,768	367
8.	**REVERSAL OF FINANCIAL ASSETS IMPAIRMENT**				
	Movements in provision for doubtful debts comprise:				
	Change in provision for doubtful debts (Gvt) (see note 13.1 and 14)	1,063,699	27,548	34,373	4,435
9.	**CASH AND BANK BALANCES**				
	Nostro accounts balances	2,408,137	521,199	2,408,137	83,909
	Bank balances/cash at hand	111,169	10,803	111,169	1,739
	Committed Funds	1,127	6,833	1,127	1,100
		2,520,433	**538,835**	**2,520,433**	**86,748**

Cash and Bank Balances comprise cash on hand and demand deposits with local and foreign banks (including SDR balances held at the International Monetary Fund).

10. GOLD AND FOREIGN ASSETS

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
Gold (coins)	10,226	3,198	10,226	515
Foreign investments	2,105,106	1,280,495	2,105,106	206,149
	2,115,332	1,283,693	2,115,332	206,664
Encumbered assets	**97,424**	**35,068**	**97,424**	**5,646**
South African Treasury Bills (Financial securities)	97,424	35,068	97,424	5,646
	2,212,756	**1,318,761**	**2,212,756**	**212,310**
Foreign investments reconciliation				
Opening balance	1,280,494	766,008	206,149	86,792
Additional shares – 173	76,428	18,212	40,234	2,932
Short term investment - Warrants	-	683,264	-	110,000
Revaluation (exchange rate)	308,060	(186,989)	1,418,599	6,425
Fair value adjustment	440,124	-	440,124	-
Balance at year end	**2,105,106**	**1,280,494**	**2,105,106**	**206,149**

Foreign investments are shares and other investments in African Export-Import Bank (Afreximbank) and SWIFT payment platform. The Bank's Afreximbank valuation were done by professional valuers.

The South African Treasury Bills of ZAR82.5 million are financial securities investment at the South African Reserve Bank. Th ese Treasury Bills were pledged as security for the South African overdraft facility of ZAR75 million. The movement in the investments is mainly due to US$/ZAR fluctuations.

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	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZW$	ZW$	ZW$	ZW$
	000	000	000	000
11. FINANCIAL SECURITIES				
Zimbabwe Treasury Bills	6,828,364	12,809,217	6,828,364	2,062,178

12. RECEIVABLES

	INFLATION ADJUSTED 2019 ZW$ 000	INFLATION ADJUSTED 2018 ZW$ 000	HISTORICAL COST 2019 ZW$ 000	HISTORICAL COST 2018 ZW$ 000
Unrealised exchange losses	42,074,560	-	42,074,560	-
Receivables	2,147,074	788,582	2,147,074	132,287
Realised exchange losses	11,925,275	-	11,925,275	-
Prepayments	292,735	80,134	262,217	12,901
Impairment loss	(1,092)	(6,786)	(1,092)	(1,092)
Expected credit losses	(329)	(2,267)	(329)	(365)
Export Incentives	2,934,876	6,700,275	2,934,876	1,078,689
Government IMF drawdown	568,582	2,698,889	568,582	434,499
IMF interest and charges paid	39,735	47,925	39,735	7,716
Balance at year end	**59,981,415**	**10,306,753**	**59,950,899**	**1,659,302**

At the reporting date, the Bank had a balance of ZW$42 billion unrealised exchange losses. In accordance with section 34 of the RBZ Act [Chapter 22:15] any exchange gains or losses are for the account of Government. Any payment of the realised exchange gains to the Government shall be made in accordance with arrangements approved by the Ministry of Finance and Economic Development. In the same light, any realised exchange losses are receivable from Government of Zimbabwe and any payment by the Government of Zimbabwe on the receivable balance shall be upon request by the Bank. The GFCA account does not accrue any interest.

The Bank has more liabilities than assets, literally no reserves. Ordinarily, Government foreign loans should report on Government balance sheet and central banks should hold reserves . As at year end, realised exchange losses receivable from Government were ZW$1 1.9 billion. Export incentives are subsidies receivable from Government, and they do not accrue interest. Going forward, Government pledged to fund gold incentives from the national bud get. Government IMF drawdown is made up a cumulative SDR329 million (2018: SDR294 million) withdrawn by Government from its IMF SDR allocation. These balances are recorded at the spot exchange rate on the day of the transaction. Government liquidated SDR35 million (SDR$36.5 million) during the year.

		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
12.1	**Impairment allowance reconciliation**				
	Opening Balance	(9,052)	(6,785)	(1,457)	(1,092)
	Expected credit losses (note 34.5)	7,631	(2,267)	365	(365)
	Balance at year end	**(1,421)**	**(9,052)**	**(1,421)**	**(1,457)**
13.	**LOANS AND ADVANCES TO GOVERNMENT AND STATUTORY BODIES**				
	Loans and advances				
	Loans and advances (legacy debt)	128,497	1,009,703	128,497	162,554
	Government advances	-	17,619,634	-	2,836,616
	Government loans	331,308	4,386,784	331,308	706,236
	Impairment loss	(128,497)	(1,009,703)	(128,497)	(162,554)
	Expected credit losses (note 34.5)	-	(1,744)	-	(281)
	Balance	**331,308**	**22,004,674**	**331,308**	**3,542,571**
13.1	**Movement of impairment**				
	Balance at the beginning of the year	(1,011,447)	(1,037,251)	(162,835)	(166,989)
	Movement for the year	211,540	27,548	34,056	4,435
	Expected credit losses adjustment	671,410	(1,744)	281	(281)
	Balance at the end of the year	**(128,497)**	**(1,011,447)**	**(128,497)**	**(162,835)**

The movement in loans and advances (legacy debt) is a result of Government repayment of a previously provided for loan and expected credit losses arising from the application of IFRS 9.Loans and advances to Government were ZW$ 331 million as at end of year 2019. Included in this figure is a total ZW$153 million paid for maize importation on behalf of Government.

14. OTHER LOANS AND ADVANCES

	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZW$	ZW$	ZW$	ZW$
	000	000	000	000
Advances				
-Interbank advances	952,506	2,401,480	952,506	385,817
-Loans to subsidiaries	1,849,760	1,451,342	1,849,760	233,654
Private sector loans				
-Advances	1,208,172	1,273,452	1,208,172	205,816
-Fertilizer debtors (legacy)	748	4,648	748	748
Impairment of other loans and advances	(1,485)	(9,234)	(1,485)	(1,485)
Expected credit losses	(181,152)	(206,196)	(181,152)	(33,196)
	3,828,551	4,915,492	3,828,551	791,354
Movement in impairment of other loans and advances				
Balance at the beginning of the year	(215,432)	(9,633)	(34,681)	(1,549)
Movement	-	398	-	64
Expected credit losses adjustment	32,794	(206,204)	(147,956)	(33,196)
Balance at the end of the year	**(182,638)**	**(215,432)**	**(182,638)**	**(34,681)**

Interbank and other advances
Interbank advances consist of MBA and loans to banks. The Aftrades facility matured in February 2019 and was not rolled over.

Loans to subsidiaries
Fidelity Printers and Refineries' administered G old Development Initiative Facilities constitute the bulk of loans to subsidiaries.

Private Sector Advances
Private sector loans are advances made by the Bank to strategic quasi -Government institutions and other facilities.

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	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZW$	ZW$	ZW$	ZW$
	000	000	000	000
15. OTHER INVESTMENTS – IDBZ				
Opening balance	147,321	39,669	23,717	4,495
Additional Investment	-	17,845	-	2,873
Fair value(loss)/ gain	(73,071)	-	50,532	-
Revaluation	-	89,807	-	16,349
	74,250	**147,321**	**74,250**	**23,717**

The investments in unquoted local shares are classified as fair value through other comprehensive income. The Bank's unquoted local shares refer to 12.56% shareho lding in IDBZ. The Bank engaged professional consultants who are experienced in the valuation of entities, to evaluate the fair value of the Bank's investment in unquoted local shares.

The Net Asset Valuation method was used in the valuation of IDBZ. It was deemed appropriate model of valuation because most of IDBZ's assets and liabilities are carried at fair value.

16. INVESTMENT IN SUBSIDIARIES

		INFLATION ADJUSTED		HISTORICAL COST	
		2019	2018	2019	2018
		ZW$	ZW$	ZW$	ZW$
		000	000	000	000
Investment in subsidiaries at cost less impairment losses	**Shareholding**				
Fidelity Printers & Refiners (Private) Ltd	100%	103,406	103,406	16,648	16,648
Aurex (Private) Limited (note 15.2)	100%	99,988	88,824	16,580	14,300
Homelink (Private) Ltd	100%	184,349	184,349	29,679	29,679
Export Credit Guarantee Corporation (ECGC)	100%	89,175	89,175	14,357	14,357
Zimbabwe Asset Management Corporation	100%	219,188	219,188	35,288	35,288
Tuli Coal (Private) Limited	100%	-	74,891	-	12,057
Reszim Investments (Private) Limited	100%	-	-	-	-
Finance Trust of Zimbabwe (Private) Limited	100%	-	-	-	-
Carslone (Private) Limited	100%	-	-	-	-
Fiscorp (Private) Limited	100%	-	-	-	-
Transload (Private) Limited	100%	-	3,105	-	500
Venture Capital Company of Zimbabwe (Pvt) Ltd	100%	-	-	-	-
Arigato (Private) Limited	100%	-	-	-	-
Hailcat (Private) Limited	100%	-	-	-	-
		699,106	**762,941**	**112,550**	**122,827**

Investments in subsidiaries are carried at cost less impairment losses. All of the above subsidiaries are incorporated in Zimbabwe. There is an impairment reversal of ZW$14 million (historical ZW$2.3 million) on Aurex at year end for impairments processed in previous periods. Aurex made profits and started building up reserves during the period under review.

	INFLATION ADJUSTED 2019 ZW$ 000	INFLATION ADJUSTED 2018 ZW$ 000	HISTORICAL COST 2019 ZW$ 000	HISTORICAL COST 2018 ZW$ 000
17. NON-CURRENT ASSETS HELD FOR SALE				
Buildings	4,659	4,659	750	750
Disposal	(1,708)	-	(275)	-
Devaluation	(2,475)	-	-	-
Balance at the end of the year	475	4,659	475	750

Four properties were fully disposed and taken off the Bank's books during the year. The remaining properties are expected to be fully disposed in the next 12 months.

	INFLATION ADJUSTED 2019	INFLATION ADJUSTED 2018	HISTORICAL COST 2019	HISTORICAL COST 2018
18. INVESTMENT PROPERTY				
Opening balance	72,737	120,030	11,710	13,600
Fair value adjustment	61,450	(47,293)	122,477	(1,890)
Closing balance	134,187	72,737	134,187	11,710

The Bank's investment property was revalued at 31 December 2019 by independent professional valuers. The valuations were performed on the basis of open market value. The valuations were conducted in accordance with International Valuation Standards and were based on prevailing arm's length market transactions. Refer to 'note 6.2' and 'note 36' for the key valuation assumptions and inputs.The following amounts were recognised in the statement of comprehensive income as a result of rentals from the investment property held:

	INFLATION ADJUSTED 2019	INFLATION ADJUSTED 2018	HISTORICAL COST 2019	HISTORICAL COST 2018
Rental income	3,910	5,019	1,703	808
Direct operating expenses from property that generated rental Income	(550)	(447)	(199)	(72)
	3,360	4,572	1,504	736

The Bank leases (operating lease) its investment properties to various tenants. The lease agreements are renewable on an annual basis. Future minimum lease receipts as at 31 December 2019:

Up to 1 Year	2 to 5 Years	More than 5 Years
ZW$ 3,085,932	-	-

19. PROPERTY AND EQUIPMENT: INFLATION ADJUSTED

	Land ZW$ 000	Buildings ZW$ 000	Furniture, equipment and machinery ZW$ 000	Motor vehicles ZW$ 000	Total ZW$ 000
Cost					
At 31 December 2018	1,304	457,902	120,360	98,690	678,256
Additions	-	-	4,880	15,151	20,031
Disposals	-		(344)	(1,056)	(1,400)
Revaluation		516,994	-	-	517,854
	860				
At 31 December 2019	2,164	974,896	124,896	112,785	1,214,741
Accumulated Depreciation					
At 31 December 2018	-	12,432	77,648	63,296	153,376
Charge for the year	-	5,816	7,155	4,581	17,552
Disposals	-	(31)	(342)	(728)	(1,101)
Acc dep adj		(18,186)	25	(24)	(18,236)
At 31 December 2019	-	31	84,486	67,125	151,642
Net Book Values					
At 31 December 2019	2,164	974,865	40,410	45,660	1,063,099
At 31 December 2018	2,164	445,470	42,712	35,394	524,880

19.1 PROPERTY AND EQUIPMENT: HISTORICAL COST

	Land ZW$	Buildings ZW$	Furniture, equipment and machinery ZW$	Motor vehicles ZW$	Total ZW$
	000	000	000	000	000
Cost					
At 1 January 2018	210	73,660	11,568	5,784	91,222
Additions	-	-	2,248	4,437	6,685
Disposals		-	(124)	(1,233)	(1,357)
Revaluation	-	-	-	-	-
At 31 December 2018	210	73,660	13,692	8,988	96,550
Additions	-	-	2,095	13,399	15,494
Disposals	-	-	(66)	(379)	(445)
Revaluation	1,954	901,210	-	-	903,164
At 31 December 2019	2,164	974,870	15,721	22,008	1,014,763
Accumulated Depreciation					
At 1 January 2018	-	139	6,827	4,327	11,293
Charge for the year	-	1,804	2,255	1,135	5,194
Disposals	-	-	(124)	(1,161)	(1,285)
Depreciation Adjustment	-	-	-	-	-
At 31 December 2018	-	1,943	8,958	4,301	15,202
Charge for the year	-	1,804	2,230	1,711	5,745
Disposals	-	(5)	(67)	(313)	(385)
Acc dep adj	-	(3,737)	4	(12)	(3,745)
At 31 December 2019		5	11,125	5,687	16,817
Net Book Values					
At 31 December 2019	2,164	974,865	4,596	16,321	997,945
At 31 December 2018	210	71,717	4,734	4,687	81,348

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	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
20. SHARE CAPITAL				
Authorised				
2 million shares of $1 each	12,423	12,423	2,000	2,000
Issued				
2 million shares of $1 each	12,423	12,423	2,000	2,000
Reserves				
Share premium	608,727	608,727	98,000	98,000

The Bank's authorised capital is US$2 million wholly issued to the Government of Zimbabwe as per Section 31 of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. In December 2015, the Government of Zimbabwe issued historical ZW$100 million eight-year debt instruments to the Bank as capitalisation.

	INFLATION ADJUSTED 2019	INFLATION ADJUSTED 2018	HISTORICAL COST 2019	HISTORICAL COST 2018
21. REVALUATION RESERVE				
Opening Balance	-	-	7,112	7,112
Fair value gain on buildings	517,853	-	901,959	-
Closing balance	517,853	-	909,071	7,112

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	INFLATION ADJUSTED 2019 ZW$ 000	INFLATION ADJUSTED 2018 ZW$ 000	HISTORICAL COST 2019 ZW$ 000	HISTORICAL COST 2018 ZW$ 000
22. MARK TO MARKET RESERVE				
Opening balance	89,807	-	58,532	40,411
Fair value gain / (loss) on equity investments	367,052	89,807	490,655	18,121
Balance at the end of the year	456,859	89,807	549,187	58,532
23. GENERAL RESERVE FUND	-	-	-	-

In terms of section 32 of the Reserve Bank of Zimbabwe Act [Chapter 22:15], the Bank is required to maintain a general reserve fund. Once the balance of the fund exceeds three times the issued share capital of the Bank, any operating surplus, after providing for bad and doubtful debts, depreciation, staff costs and any such items as are usually provided by financial institutions, shall ultimately be paid to the Government of Zimbabwe.

	INFLATION ADJUSTED 2019 ZW$ 000	INFLATION ADJUSTED 2018 ZW$ 000	HISTORICAL COST 2019 ZW$ 000	HISTORICAL COST 2018 ZW$ 000
24. ACCUMULATEDSURPLUS/ (DEFICIT)				
Opening Balance	1,908,737	1,790,735	252,952	153,579
(Deficit)/Surplus for the year	(7,334,877)	258,369	(6,323,716)	121,971
Expected credit losses	-	(140,367)	-	(22,598)
Closing balance	(5,426,140)	1,908,737	(6,070,763)	252,952
25 NOTES AND COINS IN CIRCULATION				
Notes	978,394	2,708,121	978,394	435,985
Coins	99,010	537,655	99,010	86,558
	1,077,404	3,245,778	1,077,404	522,543

RESERVE BANK OF ZIMBABWE
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		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
26	**DEPOSIT ACCOUNTS**				
	Local Financial institutions				
	-Bankers RTGS	7,049,052	13,648,545	7,049,052	2,197,303
	-Government FCAs (legacy)		257,045		41,382
	-Statutory reserves	918,034	2,443,847	918,034	393,439
	-Government	555,485		555,485	
	-Other	631,377	912,791	631,377	129,051
	-Short term local deposits	1,320	-	1,320	17,902
		9,155,270	17,262,227	9,155,270	2,779,076
27	**PAYABLES**				
	Local Payables	52,120	429,179	52,120	69,093
	Gold & foreign currency adjustment account	-	259,376	-	41,758
		52,120	688,555	52,120	110,851
27.1	**LEAVE PAY PROVISION RECONCILIATION**				
	Opening balance 1 January	9,491	8,764	1,528	1,411
	Net provisions accrued	(3,666)	727	4,297	117
	Closing balance 31 December	5,825	9,491	5,825	1,528
	The leave pay provision is included in the payables balance at year end.				
28.	**TERM DEPOSITS**				
	Savings Bonds	1,835,298	13,264,912	1,835,297	2,135,541
	Short term deposits	272,600	3,015,430	272,600	485,460
	Other	32,827	473,099	32,827	76,165
		2,140,725	16,753,441	2,140,725	2,697,166

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
29. FOREIGN LIABILITIES				
Aggregated foreign loans	53,325,209	8,253,604	53,325,209	1,328,762
Short term foreign deposits	3,045,160	1,506,779	3,045,160	242,579
Payables and other	331,404	50,486	331,404	8,128
Interest accrued	144,928	93,060	144,928	14,982
	61,205,222	9,903,929	61,205,222	1,594,451

Included in foreign liabilities are facilities and lines of credit from regional and international institutions which the Government secured through the Bank for the importation of electricity, fuel, raw materials for industries and medical supplies. Section 7(n) of the RBZ Act [Chapter 22:15] mandates the Bank to ' borrow foreign currency on behalf of the State and not on its own behalf'.

Also, Government took over debts (blocked funds) that the country could not remit due to lack of foreign currency for periods before the introduction of the exchange rate, 22 February 2019. This is an economic cost that Government is bearing for change of currency from mul ticurrency to ZW$, mono currency. Most legacy debts do not accrue interest.

South African Reserve Bank (SARB) overdraft is included in foreign loans. The facility is secured by encumbered assets in the form of South African Treasury Bills worth ZAR82.5 million held at the South African Reserve Bank. This arrangement has been in place for a number of years.

30. INTERNATIONAL MONETARY FUND FACILITIES

Net cumulative SDR allocations	7,853,286	2,924,964	7,853,286	470,895
IMF No.1 and 2	20,196	7,681	20,196	1,237
	7,873,481	2,932,645	7,873,481	472,132

The SDR allocation to the Government of Zimbabwe by IMF, was deposited into the Bank's offshore account.

The Special Drawing Rights (SDR) amounts equivalent owed to IMF SDR allocations were as follows:

SDR	**SDR**	**SDR**	**SDR**	**SDR**
Net Cumulative SDR allocations	338,581,039	338,581,039	338,581,039	338,581,039
IMF No 1 and 2	-	-	-	-
	338,581,039	338,581,039	338,581,039	338,581,039

The IMF No 1 and 2 accounts are denominated in ZW$. The exchange rate applied, ZW$/SDR 23.19470 (2018 USD/SDR 1.39078).

31. CONTINGENT AND COMMITMENTS

31.1 The Bank had contingent liabilities of ZW$21,640,735 (2018: ZW$30,669,753) as at 31 December 2019. ZW$20 million relates to pending legal cases which the Bank believes the outcome of the negotiations are uncertain.

31.2 As at 31 December 2019, guarantees/letters of intent which amounted to ZW$545 million (US$32.5 million) were made to third parties that may result in exposures to the Bank in the event of default or a call for specific performance by those counterparties

31.3 Blocked Funds (Legacy Debt s): - the process of vetting the applications was underway at year end. Consequently, the resultant foreign c urrency requirements and related exchange losses were yet to be determined.

32. CAPITAL COMMITMENTS

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
Authorised and contracted:	34,365	565	34,365	91
Authorised and uncontracted:	-	-	-	-
	34,365	565	34,365	91

33. RETIREMENT BENEFIT SCHEMES

33.1 Private scheme

The Bank and its employees contribute to the Fintrust Pension Fund. The fund is a defined contribution fund, the assets of which are held in a separate trustee administered fund. The Bank contributes 1 5% and the employees 6% of pensionable earnings. During the year under re view, the Bank contributed ZW$11.6 million (2018; ZW$13 million) towards this plan and the cost is included in the staff costs.

33.2 National Social Security Authority (NSSA) scheme

The e mployees are also members of a state-managed retirement benefit plan, NSSA, and the contributions to the scheme are made in terms of the National Social Security Authority Act [Chapter 17:04]. During the year the Bank contributed ZW$1.6 million (2018: ZW$2.3 million) towards this plan and the cost is included in the staff costs.

33.3 Recognition of pension contributions

The Bank's obligation with respect to the retirement benefit plan is to make the specific contributions. The contributions to the pension funds are recognized as an expense when they fall due.

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
33.4 Contributions recognized as an expense during the year				
Fintrust Pension Fund	11,589	12,680	4,717	2,041
National Social Security Authority Scheme	1,624	2,332	543	376
	13,213	15,012	5,260	2,417

34. RISK MANAGEMENT

The Bank is exposed to a range of risks. Risk governance policies and procedures are performed by Divisional Directors and oversight provided by the Board through the Banking Sector Stability and Committee. Certain aspects of risk management specific to financial instruments are described below.

34.1 Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. Market price risk includes interest rate risk, currency risk and equity price risk. In its monetary policy operations, the Bank is obliged to accept certain market -related risks which would not be fully compatible with pure commercial practice. The Bank nevertheless manages its market ris ks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management on a daily basis and, when circumstances require, throu ghout the day.

34.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates . This is managed at both the Board and management level through regular policies and benchmarks which relate to interest rate risk management. The majority of the Bank's loans and advances facilities are at concessionary rates and some are at nil interest which is not market linked.

The Bank faces high interest rate risk on its f oreign liabilities caused by fo reign currency shortages. If the Bank fails to repay its dues on time, most institutions apply punitive interest rates.

The Bank's senior management manages these risks and they are supervised by the Board's Banking Sector Stability Committee that advises on financial services sector stability.

The following are the Bank's interest earning assets and interest bearing liabilities:

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34.2 Interest Earning Assets and Liabilities (continued)

		INFLATION ADJUSTED		HISTORICAL COST	
		2019	2018	2019	2018
		ZW$	ZW$	ZW$	ZW$
		000	000	000	000
Financial assets	Average Interest				
Foreign Treasury Bills	6%	97,424	35,068	97,424	5,646
Advances to Government	-	-	18,664,577	-	3,004,843
Zimbabwe Treasury Bills	6%	6,828,363	12,809,217	6,828,363	2,062,178
Interbank advances	16%	951,434	2,401,480	951,434	385,817
Government Loans	-	-	2,686,635	-	432,526
Loans to subsidiaries	4%	1,846,514	1,451,342	1,846,514	233,654
Loans and advances other	3%	321,362	1,278,089	321,362	206,563
		10,045,097	39,326,408	10,045,097	6,331,227
Financial Liabilities					
Foreign liabilities	8%	34,916,997	9,786,769	34,916,997	1,575,589
Aftrades	-	-	2,410,062	-	388,000
Savings Bonds	7%	1,835,298	13,264,911	1,835,298	2,135,541
		36,752,295	25,461,742	36,752,295	4,099,130

34.3 Equity Risk Analysis

The Bank is exposed to equity price risk on its investments classified as fair value through other comprehensive income.

34.3.1 Investments in African Export and Import Bank (AFREXIMBANK)

The fair value of the Bank's investments in Afreximbank was estimated using price to book ratio valuation method.

34.3.2 Investments in Infrastructure Development Bank (IDBZ)

The Net Asset Valuation method was used in the valuation of IDBZ. It was deemed appropriate model of valuation because IDBZ's assets and liabilities are carried at fair value.

34.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in exchange rates. The Bank's liabilities are predominantly held in US$ hence increased foreign currency risk. The introduction of an exchange rate in February 2019 brought with it an increased foreign currency risk since the Bank has huge foreign liabilities with no reserves to back them.

Below is a sensitivity analysis on foreign currency exchange risk for foreign assets and liabilities

	Value as at 31 December 2019			Decrease by 10%		Increase by 10%	
Assets/ liabilities	Value US$ 000	Exchange Rate	Value ZW$ 000	Exchange Rate	Value ZW$ 000	Exchange Rate	Value ZW$ 000
Foreign Assets	282,184	16.77	4,733,189	15.10	4,260,978	18.45	5,206,295
Foreign Liabilities	3,648,945	16.77	61,205,222	15.10	55,099,077	18.45	67,323,044

34.5 Credit risk

Credit risk is the risk of loss due to inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from such activities of the Bank as advances to and deposits made with other institutions and the settlement of fina ncial market transactions. These risks are managed by the Bank's Financial Markets Division. Credit mitigation is employed by the Bank through taking collateral mostly in the form of Treasury Bills, real estate and other guarantees. The Bank is also exposed to credit risk on expected rental collections when its tenants fail to pay rentals for occupying its investment properties.

Expected Credit Losses

The Bank applied IFRS 9 'Financial Instruments' which uses forward looking impairment models for all financial assets and lease receivables. The total expected credit losses at the end of the year were as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	31 Dec 2019 ZW$ 000	31 Dec 2018 ZW$ 000	31 Dec 2019 ZW$ 000	31 Dec 2018 ZW$ 000
Other loans and advances	181,152	206,197	181,152	33,196
Other receivables	329	2,267	329	365
Government and Statutory bodies	-	1,744	-	281
	181,481	210,208	181,481	33,842

The drop in total expected credit losses is mainly due to the reduction of loans and advances to various institutions in the inflation adjusted accounts . As at 31 December 2019, all loans and advances were in stage 1 except for a few staff loans (stage 3) whose holders had recently left the Bank.

Concentration of credit risk

The Bank deals with a variety of financial institutions and its loans and advances are structured and spread among them. In addition, the Bank has procedures and policies in place to limit the amount of credit exposure to any counterparty . The Bank reviews, on a regular basis, the credit limits of counterparties and takes action accordingly to ensure that exposure limits are not exceeded. At the reporting date, the Bank was exposed to concentration risk as its deposits and other advances were concentrated to the Government of Zimbabwe and financial services sector.

34.5.1 Credit Risk Analysis - Inflation Adjusted

Credit Risk Analysis 2019	Neither Past Due/nor impaired ZW$ 000	Past due not impaired ZW$ 000	Past due and impaired ZW$ 000	Total ZW$ 000
Gold and foreign assets	107,650	-	-	107,650
Receivables	59,772,262	208,061	1,092	59,981,415
Financial securities	6,828,364	-	-	6,828,364
Government loans and advances	331,308	-	-	331,308
Government recoverable	-	-	128,497	128,497
Advances	3,645,913	-	182,639	3,828,551
Total non-derivative assets	70,685,496	208,060	312,228	71,205,785
Credit Risk Analysis 2018 (Restated)				
Gold and foreign assets	38,265	-	-	38,265
Receivables	10,244,196	55,771	6,786	10,306,753
Financial securities	12,809,217	-	-	12,809,217
Government recoverable	-	-	1,009,704	1,009,704
Government loans and advances	22,006,137	-	-	22,006,137
Advances	4,915,495	-	9,622	4,925,117
Total non-derivative assets	50,013,310	55,771	1,026,112	51,095,193

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34.5.1 Credit Risk Analysis - Historical Cost

34.5.1 Credit Risk Analysis	Neither Past Due/nor impaired	Past due not impaired	Past due and impaired	Total
Credit Risk Analysis 2019	**ZW$ 000**	**ZW$ 000**	**ZW$ 000**	**ZW$ 000**
Gold and foreign assets	107,650	-	-	107,650
Receivables	59,741,746	208,061	1,092	59,950,899
Financial securities	6,828,364	-	-	6,828,364
Government loans and advances	331,308	-	-	331,308
Government recoverable	-	-	128,497	128,497
Advances	3,645,912	-	182,639	3,828,551
Total non-derivative assets	**70,654,978**	**208,061**	**312,228**	**71,175,267**
Credit Risk Analysis 2018	ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Gold and foreign assets	6,161	-	-	6,161
Receivables	1,649,231	8,979	1,092	1,659,302
Financial securities	2,062,178	-	-	2,062,178
Government loans and advances	-	-	162,554	162,554
Government recoverable	3,542,571	-	-	3,542,571
Advances	791,354	-	1,485	792,839
Total non-derivative assets	**8,051,495**	**8,979**	**165,131**	**8,225,605**

34.6 Liquidity risk

Liquidity risk concerns the ability of the Bank to fulfil its financial obligations as they become due without incurring unacceptable losses. Ultimate responsibility of managing liquidity risk lies with the Board of Directors which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long term funding and liquidity requirements.

The table below shows the Bank's financial assets and financial liabilities grouped into relevant maturities and the amounts disclosed in the table are the contractual undiscounted cash flows.

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

34.6 Liquidity risk continued- Inflation Adjusted

34.6.1 Maturity Analysis (2019)	On demand	Due between 0-3 months	Due between 3-12 months	Due between 1-5 years	Due After 5 years	Total carrying amount
	ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets held for managing liquidity risk						
Cash and Bank balances	2,520,433	-	-	-	-	2,520,433
Gold and foreign assets	10,226	-	2,105,106		-	-
						2,115,332
Financial securities	-	301,007	1,924,238	1,323,871	3,377,310	6,926,426
Receivables	-	17,225,169	6,986	42,119,051	630,209	59,981,415
Government loans and advances	-	-	331,308	-	-	331,308
Loans and advances	-	21,847	1,169,019	1,313,923	371,252	2,876,042
Interbank advances	1,076	71,292	852,686	27,456	-	952,509
Total assets held for managing liquidity risk	**2,531,735**	**17,619,315**	**6,389,344**	**44,784,301**	**4,378,771**	**75,703,466**
Non-derivative liabilities						
Bond notes and coins in circulation	1,077,404	-	-	-	-	1,077,404
Deposit accounts	9,155,270	-	-	-	-	9,155,270
Payables	52,120	-	-	-	-	52,120
Term deposits	-	607,059	1,235,961	24,326	273,379	2,140,725
Foreign liabilities	16,157,266	26,909,401	6,877,684	8,386,090	2,874,780	61,204,222
International Monetary Fund facilities	20,196	-	-	-	7,853,286	7,873,481
Total non-derivative liabilities	**26,462,256**	**27,516,460**	**8,113,645**	**8,410,415**	**11,001,445**	**81,504,223**
Net exposure	**(23,930,521)**	**(9,897,145)**	**(1,724,301)**	**36,373,885**	**(6,622,674)**	**(5,800,757)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED
For the year ended 31 December 2019

34.6 Liquidity risk continued- Inflation Adjusted

34.6.2 Maturity Analysis (2018)	**On demand ZW$ 000**	**Due between 0-3 months ZW$ 000**	**Due between 3-12 months ZW$ 000**	**Due between 1-5 years ZW$ 000**	**Due After 5 years cost ZW$ 000**	**Total carrying amount ZW$ 000**
Assets held for managing liquidity risk						
Cash and Bank balances	538,835	-	-	-	-	538,835
Gold and foreign assets	3,198	-	597,231	683,265	-	1,283,693
Financial securities	-	942,716	2,828,903	8,363,569	709,097	12,844,285
Receivables	-	7,466,781	9,309	65,333	2,765,330	10,306,753
Government loans and advances	-	-	22,004,674	-	-	22,004,674
Loans and advances	-	37,126	131,924	2,403,972	156,422	2,729,444
Interbank advances	-	967,398	440,284	685,194	93,172	2,186,048
Total assets held for managing liquidity risk	542,033	9,414,021	26,012,326	12,201,332	3,724,022	51,893,735
Non-derivative liabilities						
Bond coins in circulation	3,245,778	-	-	-	-	
3,245,778 Deposit accounts	17,262,227	-	-	-	-	17,262,227
Payables	688,555	-	-	-	-	688,555
Term deposits	-	4,750,024	10,786,928	1,216,488	-	16,753,441
Foreign liabilities	-	2,536,929	3,865,317	3,501,683 -	9,903,929	
International Monetary Fund facilities	7,681	-	-	-	2,924,964	2,932,645
Total non-derivative liabilities	21,204,241	7,286,953	14,652,245	4,718,172	2,924,964	50,786,575
Net exposure	(20,662,208)	2,127,068	11,360,081	7,483,160	799,057	1,107,158

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

34.6 Liquidity risk continued - Historical cost
34.6.3 Maturity Analysis (2019)

	On demand ZW$ 000	Due between 0-3 months ZW$ 000	Due between 3-12 months ZW$ 000	Due between 1-5 years ZW$ 000	Due After 5 years cost ZW$ 000	Total carrying amount ZW$ 000
Assets held for managing liquidity risk						
Cash and Bank balances	2,520,433	-	-	-	-	2,520,433
Gold and foreign assets	10,226	-	2,105,106		-	-
2,115,332						
Financial securities	-	301,007	1,924,238	1,323,871	3,377,310	6,926,426
Receivables	-	17,194,652	6,986	42,119,051	630,209	59,950,899
Government loans and advances	-	-	331,308	-	-	
331,308						
Loans and advances	-	21,847	1,169,019	1,313,923	371,252	2,876,042
Interbank advances	1,076	71,292	852,686	27,456	-	952,509
Total assets held for managing liquidity risk	2,531,735	17,588,798	6,389,344	44,784,301	4,378,771	75,672,948
Non-derivative liabilities						
Bond notes and coins in circulation	1,077,404	-	-	-	-	1,077,404
Deposit accounts	9,155,270	-	-	-	-	9,155,270
Payables	52,120	-	-	-	-	52,120
Term deposits	-	607,059	1,235,961	24,326	273,379	2,140,725
Foreign liabilities	16,157,266	26,909,401	6,877,684	8,386,090	2,874,780	61,205,222
International Monetary Fund facilities	20,196	-	-	-	7,853,286	7,873,481
Total non-derivative liabilities	26,462,256	27,516,460	8,113,645	8,410,416	11,001,445	81,504,223
Net exposure	(23,930,521)	(9,927,663)	(1,724,301)	36,373,885	(6,622,675)	(5,831,274)

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

34.6 Liquidity risk continued - Historical Cost

34.6.4 Maturity Analysis (2018)	On demand ZW$ 000	Due between 0-3 months ZW$ 000	Due between 3-12 months ZW$ 000	Due between 1-5 years ZW$ 000	Due After 5 years cost ZW$ 000	Total carrying amount ZW$ 000
Assets held for managing liquidity risk						
Cash and Bank balances	86,748	-	-	-	-	86,748
Gold and foreign assets	515	-	96,149	110,000	-	206,664
Financial securities	-	151,769	455,430	1,346,465	114,159	2,067,823
Receivables	-	1,202,090	1,499	10,518	445,195	1,659,302
Government loans and advances	-	-	3,542,571	-	-	3,542,571
Loans and advances	-	5,978	21,239	387,020	25,182	439,418
Interbank advances	-	155,743	70,882	110,311	15,000	351,936
Total assets held for managing liquidity risk	87,263	1,515,580	4,187,771	1,964,314	599,536	8,354,462
Non-derivative liabilities						
Bond coins in circulation	522,543	-	-	-	-	522,543
Deposit accounts	2,779,076	-	-	-	-	2,779,076
Payables	110,851	-	-	-	-	110,851
Term deposits	-	764,715	1,736,606	195,845	-	2,697,166
Foreign liabilities	-	408,425	622,284	563,742	-	1,594,451
International Monetary Fund facilities	1,237	-	-	-	470,895	472,132
Total non-derivative liabilities	3,413,707	1,173,140	2,358,890	759,587	470,895	8,176,219
Net exposure	(3,326,444)	342,440	1,828,880	1,204,727	128,641	178,244

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED
For the year ended 31 December 2019

34.6 Liquidity risk (continued) - Inflation Adjusted

34.6.5 Secured and unsecured Loans and Advances (2019)

	Secured value ZW$ 000	Unsecured value ZW$ 000	Total carrying Amount ZW$ 000
Financial Assets			
Receivables	-	59,981,415	59,981,415
Loans and advances	423,221	3,405,330	3,828,551
Government loans and advances	-	331,308	331,308
Total	423,221	63,718,053	64,141,275
Secured and Unsecured Financial Liabilities			
Term deposits	2,140,725	-	2,140,725
Bond notes and coins in circulation	1,077,404	-	1,077,404
Deposit accounts	9,155,270	-	9,155,270
Payables	52,120	-	52,120
Foreign Liabilities	61,205,222	-	61,205,222
International Monetary Fund facilities	7,873,481	-	7,873,481
Total	81,504,223	-	81,504,223

The security tendered on the financial assets is in the form of Zimbabwe Treasury Bills.

34.6 Liquidity risk (continued) - Inflation Adjusted

34.6.6 Secured and unsecured Loans and Advances (2018)

	Secured value ZW$ 000	Unsecured value ZW$ 000	Total carrying Amount ZW$ 000
Financial Assets			
Receivables	-	10,306,753	10,306,753
Loans and advances	1,209,974	3,705,518	4,915,492
Government loans and advances	-	22,004,674	22,004,674
Total	1,209,974	36,016,945	37,226,919
Secured and Unsecured Financial Liabilities			
Bond notes and coins in circulation	3,245,778	-	3,245,778
Deposit accounts	17,262,227	-	17,262,227
Payables	688,555	-	688,555
Term deposits	16,753,441	-	16,753,441
Foreign Liabilities	9,903,929	-	9,903,929
International Monetary Fund facilities	2,932,645	-	2,932,645
Total	50,786,575	-	50,786,575

The security tendered on the financial ass ets is in the form of Zimbabwe Treasury Bills.

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

34.6 Liquidity risk (continued) – Historical Cost

34.6.7 Secured and unsecured Loans and Advances (2019)

	Secured Value 2019 ZW$ 000	Unsecured value 2019 ZW$ 000	Total carrying Amount 2019 ZW$ 000
Financial Assets			
Receivables	-	59,950,898	59,950,899
Loans and advances	423,221	3,405,330	3,828,551
Government loans and advances	-	331,308	331,308
	423,221	63,687,536	64,110,758
Total			
Secured and Unsecured Financial Liabilities			
Bond coins in circulation	1,077,404	-	1,077,404
Deposit accounts	9,155,270	-	9,155,270
Payables	52,120	-	52,120
Term deposits	2,140,725	-	2,140,725
Foreign Liabilities	61,205,222	-	61,205,222
International Monetary Fund facilities	7,873,481	-	7,873,481
Total	81,504,223	-	81,504,223

The security tendered on the financial assets is in the form of Zimbabwe Treasury Bills.

34.6 Liquidity risk (continued)– Historical Cost

34.6.8 Secured and unsecured Loans and Advances (2018)

	Secured Value 2018 ZW$ 000	Unsecured value 2018 ZW$ 000	Total carrying Amount 2018 ZW$ 000
Financial Assets			
Receivables	-	1,659,302	1,659,302
Loans and advances	194,796	596,558	791,354
Government loans and advances	-	3,542,571	3,542,571
Total	194,796	5,798,431	5,993,227
Secured and Unsecured Financial Liabilities			
Bond coins in circulation	522,543	-	522,543
Deposit accounts	2,779,076	-	2,779,076
Payables	110,851	-	110,851
Term deposits	2,697,166	-	2,697,166
Foreign Liabilities	1,594,451	-	1,594,451
International Monetary Fund facilities	472,132	-	472,132
		-	
	8,176,218	-	8,176,218

The security tendered on the financial assets is in the form of Zimbabwe Treasury Bills.

35. CAPITAL MANAGEMENT

The Bank's objective when managing capital which is a broader concept than the equity on the face of financial position, is to safeguard the Bank's ability to continue as a going concern so as to maintain liquidity and stability of the economy at large.

The Bank is not subject to capital requirements by a regulatory body.

The table below summarises the composition of the Bank's capital for the year ended 31 December 2019.

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
Share Capital	12,423	12,423	2,000	2,000
Share Premium	608,727	608,727	98,000	98,000
Revaluation reserve	517,853	-	909,071	7,112
Mark to market	456,859	89,807	549,187	58,532
General reserve fund	-	-	-	-
Accumulated (deficit)/surplus	(5,426,140)	1,908,737	(6,070,763)	252,952
Total	(3,830,278)	2,619,694	(4,512,505)	418,596

The Bank's policies in respect of capital management are in accordance with its mandate as spelt out by the Reserve Bank of Zimbabwe Act [Chapter 22:15] and in accordance with any directives from the Minister of Finance and Economic Development.

The deployment of capital between specific operations is largely driven by the mandate of the Bank to strengthen and impose discipline in the financial services sector aimed at managing inflation and maintaining financial sector stability. The Directors set the asset and liability management policies which determine the eventual asset allocation dependent on the strategic objectives of the Bank.

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

36. Fair Value Measurement

Quantitative disclosures fair value measurement hierarchy for assets as at December 2019 - Inflati on Adjusted

	Date of valuation	Total	Fair Value measurement using Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets measured at fair value					
Investment properties	31 December 2019	134,187	-	-	134,187
FVTOCI financial investments					
Unquoted equity shares	31 December 2019	74,250	-	-	74 250
,					
Revalued property and equipment					
Land and buildings	31 December 2019	977,029	-	-	977,029
Other Assets					
Gold and foreign assets	31 December 2019	2,212,756	114,539	-	2,098,217

36. Fair Value Measurement (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at December 2018 - Inflation Adjusted

	Date of valuation	Total ZW$ 000	Fair Value measurement using Quoted prices in active markets ZW$ 000	Significant observable inputs ZW$ 000	Significant unobservable inputs ZW$ 000
Assets measured at fair value Investment properties	31 December 2018	72,737	-	-	72,737
FVTOCI financial investments Unquoted equity shares	31 December 2018	147,321	-	-	147,321
Revalued property and equipment Land and buildings	31 December 2018	447,634	-	-	447,634
Other Assets Gold and foreign assets	31 December 2018	1,318,761	38,265	-	1,280,496

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

36. Fair Value Measurement

Quantitative disclosures fair value measurement hierarchy for assets as at December 2019- Historical Cost

			Fair Value measurement using		
	Date of valuation	Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		ZW$ 000	ZW$ 000	ZW$ 000	ZW$ 000
Assets measured at fair value Investment properties	31 December 2019	134,187	-	-	134,187
FVTOCI financial investments Unquoted equity shares	31 December 2019	74,250	-	-	74,250
Revalued property and equipment Land and buildings	31 December 2019	977,029	-	-	977,029
Other Assets Gold and foreign assets	31 December 20192,212,756	114,539		-	2,098,217

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED

For the year ended 31 December 2019

36. Fair Value Measurement

Quantitative disclosures fair value measurement hierarchy for assets as at December 2018- Historical Cost

	Date of valuation	Total	Fair Value measurement using Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		US$ 000	US$ 000	US$ 000	US$ 000
Assets measured at fair value Investment properties	31 December 2018	11,710	-	-	11,710
FVTOCI financial investments Unquoted equity shares	31 December 2018	23,717	-	-	23,717
Revalued property and equipment Land and buildings	31 December 2018	71,921	-	-	71,921
Other Assets Gold and foreign assets	31 December 2018 212,310	6,160		-	206,150

RESERVE BANK OF ZIMBABWE
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For the year ended 31 December 2019

Description of valuation techniques used and key inputs to valuation of properties 2019

	Valuation Technique	Significant unobservable inputs	Range
Investment properties	Direct Comparison and Income capitalisation.	Capitalisation rate Estimated rental value per sqm per month.	7-11% US$3.50- US$12
Office properties	Direct Comparison and Income capitalisation.	Capitalisation rate Estimated rental value per sqm per month.	7-11% US$3.50- US$12
Land	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher (7%-13.5% of the asking price).
Residential properties	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher, (10%-20% of the asking price).

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY - INFLATION ADJUSTED
For the year ended 31 December 2019

Description of valuation techniques used and key inputs to valuation of properties 2018

	Valuation Technique	Significant unobservable inputs	Range
Investment properties	Direct Comparison and Income capitalisation.	Capitalisation rate Estimated rental value per sqm per month.	9.5-9.7%. US$4.50-US$15
Office properties	Direct Comparison and Income capitalisation.	Capitalisation rate Estimated rental value per sqm per month.	9-10.5%. US$3- US$15
Land	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher (8%-13.5% of the asking price).
Residential properties	Market Value	The market value was determined through analysis of property data, comparable evidence and trends.	Sale trends usually higher, (10%-20% of the asking price).

37. RELATED PARTY INFORMATION

The Bank is wholly owned by the Government of Zimbabwe. The Bank holds equity interests in the companies listed below as indicated:

Ownership interest and voting power	%
Fidelity Printers & Refiners (Private) Limited	100
Aurex (Private) Limited	100
Export Credit Guarantee Corporation	100
Finance Trust of Zimbabwe	100
Homelink (Private) Limited	100
Carslone (Private) Limited (Dormant)	100
Fiscorp (Private) Limited (Dormant)	100
Zimbabwe Asset Management Corporation (ZAMCO)	100
Tuli Coal (Private) Limited (Dormant)	100
Transload (Private) Limited (Dormant)	100
Venture Capital Company of Zimbabwe (Private) Limited (Dormant)	100
ResZim (Private) Limited	100
Arigato (Private) Limited	100
Hailcat (Private) Limited	100

37.1 Balances with related parties: Subsidiaries

		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
Subsidiary	**Trasnsacation Type**				
Fidelity Printers and Refineries	Loan	1,528,752	579,732	1,528,752	93,332
Homelink	Loan	259,179	482,988	259,179	77,757
Zimbabwe Asset Management Company	Loan	61,829	388,622	61,829	62,565
TOTAL		**1,849,760**	**1,451,342**	**1,849,760**	**233,654**

37.2 Compensation of key management personnel of the Bank.

The Bank has not entered any material transactions with any of its Non-Executive Directors and their associates in 2019.

Salaries and benefits to management personnel

Compensation paid to the Bank's senior management and Directors during the year is as follows

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZW$ 000	2018 ZW$ 000	2019 ZW$ 000	2018 ZW$ 000
Short term senior management benefits	5,174	12,814	2,033	2,063
Non-executive Directors	2,312	2,280	1,768	367
Senior managers loans (balances)	1,192	7,143	1,192	1,150
Total	8,678	22,237	4,993	3,580

NB: Senior managers loans are issued at market interest rate.

38. NOTES TO THE STATEMENT OF CASH FLOWS

Property and equipment

	INFLATION ADJUSTED		HISTORICAL COST	
	2019	2018	2019	2018
	ZW$	ZW$	ZW$	ZW$
38.1 Additions				
Property and equipment				
Additions as per PE note (note 19)	20,030	41,523	15,494	6,685
Add assets purchased not yet delivered	49,024	9,814	28,477	1,580
Less assets purchased in prior year capitalised	(5,429)	-	(874)	-
Balance as per Statement of Cash flow	63,625	51,337	43,097	8,265
38.2 Disposals				
Property and equipment				
Disposals as per PE note (note 19)	1,400	8,429	445	1,357
Disposal of PPE classified as held for sale	865	-	255	-
Less accumulated depreciation	(1,075)	(7,982)	(385)	(1,285)
	1,189	447	315	72
Profit on disposal / (loss)	(803)	136	2	16
Balance as per Statement of Cash flow	386	583	313	88

39. COMPARATIVE FIGURES

Comparative figures are based on the 208 audited financialstatements.

40. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, the following events took place:

i. At the date of signing of these financial statements the Bank had registered Legacy Debts amounting to US$2.4 billion.

ii. Retirements and Secondments:
- Mr. N. Mataruka and Mr. M. Chiremba retired as directors for Bank Supervision Division and Financial Intelligence Unit respectively.
- Dr Mpofu who was on secondment at Zimbabwe Consolidated Diamond Company also retired from the Bank.
- Mr. A. Manase was seconded to National Social Security Authority (NSSA) in an Acting capacity as General Manager for one year.

iii. The Bank donated two companies namely Arigato and Hailcat with all their assets to the Zimbabwe Anti-Corruption Commission.

iv. Subsequent to COVID -19 outbreak, the President through the Bank issued SI 85 of 2020 – Exchange Control (Exclusive Use of Zimbabwean Dollar for Domestic Transactions) (Amendment) Regulations, 2020 (No. 2). This Statutory Instrument authorizes the use of free funds (foreign currencies), to pay for goods and services chargeable in local currency through cash, transfers and or electronic means effective 26 March 2020.

v. Related to the above SI, the MPC also issued below measures to cushion the nation during the COVID-19 pandemic: -

a) Suspension of floating exchange rate replacing it with a managed fixed exchange rate of ZW$25:US$1.This was revised to a foreign exchange auction trading system starting on the 23rd of June 2020resulting in a weighted average auctionrate of ZW$57.36:US$1.

b) The MBA facility was increased from ZW$1.5 billion to ZW$3 billion and interest rate was reduced from 15% to 10% per annum effective 1 May 2020. Banks that access the MBA facility were encouraged to on-lend at interest rates not exceeding 20%.

c) Reduction of bank policy rate from 35% to 15% with effect from 1 May 2020.

d) Reduction of Statutory Reserves from 5% to 2.5% with effect from 8 June 2020.

e) Issuance of Corporate Open Market Operations instruments.

vi. COVID-19 national lockdown implemented by government to contain the spread of the virusmay have a material impact on all sectors of the economy. The Bank expects the following risks to increase as follows: -

a) Credit Risk – short term disruptions to the economy may lead to an increase in defaults on loan repayments as borrowers struggle to raise enough cash to service loans.
b) Foreign Exchange Risk – the country relies on the export of commodities such as gold and tobacco and remittances from the diaspora. These sources of foreign exchange are most likely going to be impacted negatively by COVID-19 which will lead to the increased foreign currency shortages for critical imports and services.

vii. Statutory Instrument 103A of 2020 Reserve Bank of Zimbabwe (Issue of Ten Dollar and Twenty Dollar Banknotes) Notice, 2020 was issued on the 14th of May 2020 paving way for the issuance of new $10 and $20 banknotes by the Bank.

viii. Government started funded payments of gold incentives from the national budget beginning 2020. The position was later changed effective end of May 2020 after surrender requirements were reviewed from 55/45 to 70/30 (exporter/Bank) without incentives being paid out.

ix. Government is in the process of consolidating and taking over its foreign loans and liabilities in the Bank's books per Section 7(n) of the RBZ Act [Chapter 22:15]. The takeover will relieve the Bank of the interest expense and exchange loss burden which were significant expenses in the Bank's books.

x. Reinstatement of the 30-day limit of liquidating surplus foreign exchange receipts from exports with effect from the 1st of July 2020.

41. BASIS OF FUNDING

Since the Bank is ordinarily a ' not for profit' organisation and the world over, some central banks have been in perpetual deficits but operating, the Bank prepared these financial statements on a going concern basis. Government is in th e process of consolidating and taking over foreign loans and liabilities in the Bank's books per Section 7(n) of the RBZ Act [Chapter 22:15]. This tak e over will relieve the Bank of the interest expense and exchange loss burden which are significant expenses in the Bank's books.

The Bank's exchange losses/gains are treated as either assets or liabilities in the Bank's books with realised losses or gains treated as either receivable from or payable to Government respectively per section 34 of the RBZ Act [Chapter 22:15]. The Bank borrows on behalf of Government as required by Section 7(n) of the RBZ Act [Chapter 22:15]. These borrowing assist the State to prop up the economy. Government consent or approval is part of the process in sourcing these lines of credit. Government through the Ministry of Finance and Economic Development issue a letter of support yearly, when required, to buttress its commitment to continued support of the central bank operations. The exchange losses realised in the Bank' s statement of profit or loss awaits Government processes of verification of blocked funds for them to be transferred to receivables per section 34 of the RBZ Act [Chapter 22:15].

The Bank remains a going concern notwithstanding the impact of COVID -19. The central bank remains ready to intervene in the economy through provision of financial rescue packages. The Bank is however monitoring the impact of COVID 19 on foreign currency receipts from tobacco, minerals and other exports. Also, the Bank is assessing the effects of the pandemic on physical cash movements, both foreign cash imports and local currency due to travel restrictions.

The Bank continues to promote use of plastic and electronic money to reduce the demand for cash in the economy. The Bank remains hopeful that the gradual easing of lockdowns world wide will bring normalcy in the world economy.

STATISTICAL TABLES

Table 1: Depository Corporation Survey ($000)

	Dec -11	Dec 12	Dec -13	Dec -14	Dec -15	Dec -16	Dec -17	Dec -18	Dec -19
Net Foreign Assets	**-239,224.67**	**- 374,368.83**	**- 728,596.76**	**-691,268.72**	**-643,665.14**	**-556,149.85**	**-1,327,513.88**	**-1,877,294.72**	**-40,662,175.37**
Central Bank	-680,668.60	-639,940.50	- 730,087.39	-629,622.76	-639,497.71	-574,251.01	-1,126,260.86	-1,758,219.23	-50,285,843.15
Other Depository Corporations	441,443.94	265,571.67	1,490.63	-61,645.96	-4,167.43	18,101.16	-201,253.02	-119,075.49	9,623,667.78
Net Domestic Assets (NDA)	**3,156,338.69**	**4,093,096.05**	**4,616,575.16**	**5,068,399.98**	**5,379,804.12**	**6,194,430.87**	**9,144,792.53**	**11,887,199.99**	**75,680,355.31**
Domestic Claims	**3,695,276.67**	**4,815,576.28**	**5,205,580.02**	**5,422,983.32**	**6,329,950.04**	**7,481,417.88**	**10,697,155.53**	**14,880,344.65**	**27,819,807.93**
Claims on Central Government(net)	**892,815.70**	**1,199,696.61**	**1,491,415.12**	**1,555,167.85**	**2,374,108.23**	**3,597,963.54**	**6,277,467.58**	**9,980,336.76**	**14,062,737.58**
Claims on Central Government	1,105,282.65	1,406,083.71	1,583,492.70	1,652,977.52	2,483,931.32	3,758,737.40	6,412,445.92	10,063,093.05	15,580,358.19
Less Liabilities to Central Government	212,466.94	206,387.11	92,077.58	97,809.67	109,823.09	160,773.86	134,978.34	82,756.29	1,517,620.61
Claims on Other Sectors	**2,802,460.97**	**3,615,879.67**	**3,714,164.90**	**3,867,815.48**	**3,955,841.82**	**3,883,454.35**	**4,419,687.96**	**4,900,007.89**	**13,757,070.35**
Other Financial Corporations	44,912.44	76,815.35	38,903.84	24,193.92	81,997.26	82,282.79	62,784.00	156,610.64	186,506.15
State and Local Government	16,123.28	20,810.52	18,619.20	12,198.23	45,257.57	34,237.41	46,177.22	37,159.65	26,320.30
Public Non Financial Corporations	64,424.45	71,216.88	80,528.68	86,261.61	172,204.57	253,405.61	591,300.63	647,586.90	2,431,172.28
Private Sector	2,677,000.80	3,447,036.92	3,576,113.18	3,745,161.72	3,656,382.42	3,513,528.54	3,719,426.11	4,058,650.69	11,113,071.62
Other Items(Net)	**538,937.98**	**722,480.23**	**589,004.85**	**354,583.34**	**950,145.92**	**1,286,987.02**	**1,552,363.01**	**2,993,144.66**	**-47,860,547.38**
Broad Money -M3	**2,917,114.03**	**3,718,727.22**	**3,887,978.42**	**4,377,131.27**	**4,736,138.98**	**5,638,281.02**	**7,817,278.65**	**10,009,905.27**	**35,018,179.94**
Securities Other than Shares Included in Broad Money	**57,954.25**	**55,930.97**	**82,609.89**	**119,858.96**	**44,656.65**	**62,894.35**	**68,638.47**	**58,584.04**	**243,976.57**
Broad Money -M2	**2,859,159.78**	**3,662,796.25**	**3,805,368.52**	**4,257,272.31**	**4,691,482.33**	**5,575,386.66**	**7,748,640.18**	**9,951,321.23**	**34,774,203.37**
Other Deposits	860,052.98	1,231,486.93	1,327,429.62	1,532,981.91	1,632,979.65	1,471,657.19	1,401,725.04	1,508,902.47	1,887,924.83
Narrow Money -M1	**1,999,106.81**	**2,431,309.32**	**2,477,938.90**	**2,724,290.40**	**3,058,502.69**	**4,103,729.48**	**6,346,915.14**	**8,442,418.76**	**32,886,278.54**
Transferable Deposits	1,999,106.81	2,431,309.32	2,477,938.90	2,723,991.75	3,051,375.71	4,033,558.66	6,014,977.26	7,940,376.20	31,978,710.26
Currency Outside Depository Corporations	**0.00**	**0.00**	**0.00**	**298.65**	**7,126.98**	**70,170.81**	**331,937.88**	**502,042.57**	**907,568.29**

Source: Reserve Bank of Zimbabwe, 2019

Table 2: Institutional Asset Base and Market Share

	2013	2014	2015	2016	2017	2018	2019	Market Share (%)
Commercial Banks	4,904,957,639	5,633,320,582	6,260,377,926	7,066,935,424	9,279,145,362.96	11,663,081,188.48	53,674,566,522.39	88.52%
Merchant Banks	158,588,381	99,998,770	91,564,731	**	**	**	**	**
Building Societies	921,033,146	1,234,855,548	1,408,846,687	1,497,005,608	1,740,131,986.43	2,067,724,408.66	6,422,900,618.08	10.59%
P.O.S.B	91,188,954	105,153,436	143,480,509	164,329,313	226,694,598.35	269,263,112.35	540,748,538.33	0.89%
GRAND TOTAL	**6,075,768,120**	**7,073,328,336**	**7,904,269,853**	**8,728,270,345**	**11,245,971,947.74**	**14,000,068,709.49**	**60,638,215,678.80**	**100.00%**

Source: Reserve Bank of Zimbabwe, 2018

Table 3: Monthly Inflation – Percentage Change in Consumer Price Index (%)

	NON - FOOD INFLATION												FOOD INFLATION	ALL ITEMS
	ALCOHOLIC BEVERAGES & TOBACCO	CLOTHING FOOTWEAR	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	FURNITURE AND EQUIPMENT	HEALTH	TRANSPORT	COMMUNICATION	RECREATION AND CULTURE	EDUCATION	RESTAURANTS AND HOTELS	MISC GOODS AND SERVICES	TOTAL NON FOOD	FOOD & NON ALCOHOLIC BEVERAGES	
WEIGHTS	**4.9**	**4.3**	**27.6**	**5.3**	**1.4**	**8.4**	**2.7**	**2.3**	**4.3**	**1.1**	**6.5**	**68.7**	**31.3**	**100**
2019														
January	13.35	1.04	4.35	9.46	11.64	47.25	1.12	11.01	0.10	11.73	6.72	12.83	6.94	10.75
February	2.94	5.94	2.77	2.73	2.93	-7.70	0.14	3.42	0.02	2.20	4.34	0.70	3.56	1.67
March	14.29	5.56	2.34	5.20	2.30	3.06	0.14	3.92	3.66	4.54	5.16	4.05	5.10	4.38
April	12.05	6.57	0.65	5.84	19.90	3.40	3.50	5.36	6.93	19.74	5.35	4.45	7.85	5.52
May	21.57	11.89	2.54	11.51	16.85	16.18	31.21	29.81	3.05	6.67	8.96	10.12	17.63	12.54
June	40.94	59.89	18.11	63.80	46.53	41.90	2.32	35.38	0.06	28.71	36.63	31.23	55.07	39.26
July	23.72	27.68	9.19	27.01	43.32	26.39	7.48	36.17	11.05	30.51	39.79	21.72	19.90	21.04
August	18.09	10.81	13.65	11.18	7.47	32.66	67.86	12.65	4.09	8.67	18.77	17.79	18.55	18.07
September	11.01	17.47	15.52	14.73	18.68	16.83	1.29	18.03	4.09	8.42	35.01	16.63	19.55	17.72
October	42.80	37.15	38.63	35.12	34.80	26.55	9.15	31.78	5.47	37.99	30.03	32.90	48.35	38.75
November	16.54	18.35	5.83	15.89	18.49	9.68	13.01	20.59	17.10	36.46	23.89	13.94	22.63	17.46
December	11.51	13.48	31.25	11.33	12.74	11.82	1.43	5.70	0.17	15.52	18.28	17.14	15.75	16.55

Source: ZIMSTAT, 2019

Table 4: Central Government Operations- $ Millions

	2012	2013	2014	2015	2016	2017	2018	2019
Total revenue and grants	3,495.80	3,741.00	3,727.20	3,737.10	3,501.90	3,870.00	3,495.80	22,970.7
Total expenditure and net lending	3,587.90	3,981.30	3,916.60	3,923.60	4,705.50	6568.1	3,587.90	22,575.1
Budget Balance	-92.1	-240.3	-189.4	-186.5	-1203.6	-2,698.10	-92.1	395.6
Financing	75.4	240.7	189.4	129	1425.1	2,698.10	75.4	-395.6
of which : Foreign (net)	-41.1	7.6	-49.9	-63.4	184.5	-72.4	-41.1	-121.9
Domestic (net)	116.5	233.1	239.3	192.4	1240.6	2770.5	116.5	32.1
Other Financing (net)								**-305.8**

Source: Ministry of Finance and Economic Development, 2019

Table 5: Gross Domestic Product at Factor Cost by Industry ($ millions)

PERIOD	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, Hunting and Fishing and forestry	1157.19	1222.05	1376.81	1363.95	1704.94	1653.79	1618.00	1838.42	2019.00
Mining and quarrying	802.41	1006.30	1063.64	1186.54	1156.96	1089.42	1219.00	1267.20	1353.00
Manufacturing	1108.81	1293.48	2403.51	2466.38	2454.64	2373.34	2382.83	2428.25	2575.00
Electricity, gas, steam and air conditioning supply	358.80	436.37	448.27	453.11	546.45	533.16	460.80	480.41	482.00
Water supply; sewerage, waste management and remediation activities	39.63	38.28	43.70	38.97	40.00	41.23	40.00	45.00	45.54
Construction	182.21	288.54	376.17	398.59	426.01	426.29	441.73	496.99	563.07
Wholesale and retail trade; repair of motor vehicles and motorcycles	2116.12	2149.12	2463.05	2936.54	2963.54	3044.00	3409.28	3732.35	4105.58
Transportation and storage	511.65	612.06	615.19	618.32	651.37	674.10	678.82	732.30	821.06
Accommodation and food service activities	498.76	506.54	580.53	692.13	698.49	717.46	719.34	787.51	825.76
Information and communication	1136.99	1320.12	733.30	1374.05	1375.00	1412.13	1413.00	1524.32	1711.89
Financial and insurance activities	708.62	730.30	1137.14	1300.75	950.34	983.60	1082.49	1135.72	1217.59
Real estate activities	126.29	193.22	302.87	340.53	385.00	417.10	420.48	427.03	457.81
Professional, scientific and technical activities	259.90	287.70	350.63	365.30	354.49	356.81	382.85	384.53	423.10
Administrative and support service activities	142.37	141.68	130.57	137.63	133.00	133.73	138.15	138.75	161.36
Public administration and defence; compulsory social security	540.41	910.46	1272.24	1300.72	1447.49	1495.51	1612.89	1634.57	1917.59
Education	656.83	948.33	1326.45	1523.65	1684.15	1834.49	1889.53	2135.16	2476.12
Human health and social work activities	130.27	205.65	279.41	313.53	348.24	395.00	417.57	455.15	491.79
Arts, entertainment and recreation	3.28	5.32	6.53	7.11	8.38	9.89	10.88	12.24	15.38
Other service activities	109.10	126.77	189.31	181.80	183.48	187.78	188.82	203.00	218.68
Domestic Services	23.37	27.16	40.55	42.98	44.70	47.00	49.35	52.31	54.25
Gross Domestic Product at factor cost	10577.36	12399.20	15072.53	16965.98	17470.71	17732.81	18475.79	19803.84	21936.33

Source: ZIMSTAT, 2019

Table 6: Real Gross Domestic and National Product Per Capita at Market Prices ($)

	Current Prices			Constant Prices			
Period	Gross Domestic Product	Net Investment Income paid to Other Countries/2	Gross National Product	Gross Domestic Product	Gross National Product	Per capita Gross Domestic Product**	Per capita Gross National Product
2011	14,101.9	-2,000.3	12,101.6	14,670.0	12,661.7	1,013.0	14,101.9
2012	17,114.80	-2,213.60	14,901.30	17,114.80	14,901.30	1,146.20	17,114.80
2013	19,091.00	-1,877.60	17,213.40	17,455.30	15,757.80	1,176.00	19,091.00
2014	19,495.50	-1,852.20	17,643.30	17,870.20	16,080.70	1,173.80	19,495.50
2015	19,963.10	-1,982.40	17,980.80	18,188.30	15,156.00	1,090.40	19,963.10
2016	20,548.70	-1,775.70	18,773.00	18,325.80	15,258.20	1,067.00	20,548.70
2017	22,040.90	-1,961.30	20,079.60	19,187.80	15,829.20	1,084.20	22,040.90
2018	24,312.30	-1,604.90	22,706.60	20,115.40	18,291.30	1,225.80	24,312.30

Source: ZIMSTAT, 2018

**Calculated using GDP at constant prices

Table 7: Distribution of National Income ($ millions)

INCOME APPROACH									
Period	Wages and salaries	Gross Operating Surplus	Mixed Income	Taxes on Production	GDP at Basic Prices	Taxes on Products	GDP by Expenditures at Market Prices	Net primary income from abroad	Gross National Income
2012	6 388	6 143	2 541	15 244	1 871	1 871	17 115	- 2 214	14 901
2013	7 091	7 053	2 821	17 151	1 940	1 940	19 091	-1 878	17 213
2014	7 044	7 624	2 803	17 655	1 841	1 841	19 496	-1 852	17 643
2015	7 286	7 716	2 731	17 919	2 044	2 044	19 963	-1 982	17 981
2016	7 650	8 165	2 661	18 671	1 878	1 878	20 549	-1 776	18 773
2017	8 254	8 622	2 928	20 014	2 027	2 027	22 041	-1 961	20 080
2018	8 318	9 782	4 058	22 158	2 153	2 153	24 312	-1 605	22 707

Source: ZIMSTAT, 2019

Table 8: Expenditure on Gross Domestic Product (US$ millions)

Period	Private consumption	Net Non-profit making bodies	Government Consumption expenditure	Gross fixed capital formation	Increase in Stocks	Total domestic Expenditure	Net export of goods and services	Expenditure on gross domestic product
2012	15044.32	3423.99	1039.03	1687.01	-392.16	21194.35	-4079.50	17114.85
2013	15753.88	3520.14	861.57	1758.18	5.37	21893.77	-2802.75	19091.02
2014	15492.06	3813.38	808.50	1879.22	5.84	21993.15	-2497.63	19495.52
2015	17000.61	3768.54	869.44	2003.43	8.00	23642.02	-3678.90	19963.12
2016	16301.31	3724.23	825.33	2026.38	11.00	22877.25	-2328.57	20548.68
2017	16039.11	4772.17	1452.25	2138.45	8.00	24401.98	-2361.08	22040.90
2018	17045.00	6228.32	1684.15	2272.49	10.00	27229.96	-2918.39	24311.56

Source: ZIMSTAT, 2019

Table 9: Balance of Payments – US$ Millions

	2013	2014	2015	2016	2017	2018	2019
Trade balance	-2704.0	-2309.6	-2123.3	-1291.5	-927.0	-1938.4	174.4
Current Account Balance	-2667.3	-2360.8	-1606.5	-726.4	-271.2	-1379.6	920.5
Capital Account Balance	251.0	369.4	398.4	242.3	278.3	308.8	52.8
Financial Account : Net Lending(+)/Net Borrowing(-)	-1575.3	-1739.8	-1281.9	-1008.8	-1145.9	-977.9	308.5
Net Errors and Omissions	840.9	251.6	-73.8	-524.7	-1153.0	92.9	-664.7
Gross Foreign Reserves (US $m)	331.4	349.4	433.9	421.3	385.4	291.7	256.4
Import Cover (months) at 100% (Goods & Services)	0.5	0.5	0.7	0.8	0.7	0.5	0.6
Exchange Rate:							
US$/ZAR	10.85	12.76	14.66	13.27	13.24	14.30	14.59
GBP/US$	1.65	1.54	1.2	1.29	1.33	1.27	1.28

Source: Reserve Bank of Zimbabwe, 2019

Table 10: Exports of Major Commodities and Total Imports – US$ Millions

Year	Tobacco	Gold	Ferro - Alloys	Textiles/ Clothing	Total Exports	Total Imports
2001	594	225	82	20	2114	1826
2002	435	159	107	18	1802	1820
2003	321	152	120	28	1670	1778
2004	227	263	185	21	1684	1989
2005	204	191	158	23	1602	1994
2006	207	202	146	16	1732	1966
2007	190	154	141	14	1711	1937
2008	229	94	153	0.2	1660	2630
2009	301	155	70	0.7	1613	3213
2010	384	334	118	2.2	3244	5162
2011	731	599	260	2.4	4416	7562
2012	773	715	126	2.5	3808	6710
2013	877	639	167	2.5	3694	6809
2014	773	624	244	2.0	3558	6306
2015	855	753	181	1.82	3614	6062
2016	933	913	115	0.3	3701	5236
2017*	775	886	279	2.2	3476	4933
2018	904	1,245	278	2.9	4678	6616
2019	773	1064	295	2.0	4664	4489

Source: Reserve Bank of Zimbabwe, 2019

Table 11: Zimbabwe Stock Exchange Statistics

	Share Prices (2009=100)		Market Capitalization
Period	**Industrial Shares**	**Mining Shares**	**US$ Millions**
2012	213.04	47.02	5,482.00
2013	202.12	45.79	5,203.10
2014	162.79	71.71	4,327.10
2015	114.85	23.72	3,073.40
2016	144.53	58.51	4,007.95
2017	333.0	142.4	9,580.57
2018	487.13	227.71	19,424.41
2019	766.34	316.66	29,767.09

Source: Zimbabwe Stock Exchange, 2019

Table 12: External Debt (US$ Millions)

	2012	2013	2014	2015	2016	2017	2018	2019
EXTERNAL DEBT								
Total Long-Term External Debt	8769.6	9268.7	10821.2	9928.0	9878.3	10062.3	11200.8	12988.6
Bilateral Creditors	4789.8	4945.8	5269.4	4875.0	4907.5	5037.5	5158.8	5131.3
Multilateral Creditors	2854.8	2707.2	2703.6	2552.5	2477.4	2568.3	2572.9	2450.2
Private Creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private Non-Guaranteed Long-tern	480.0	1001.7	2261.3	1913.4	1920.3	1949.3	2095.1	2431.0
Central Bank Loans (Long Term)	0.0	0.0	0.0	0.0	0.0	0.0	933.2	2463.0
Publicly Guaranteed Short - Term	645.0	614.0	587.0	587.0	573.0	507.2	440.7	513.0
Public and Publicly Guaranteed Short Debt	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Bank (Assumed Debt)	615.0	614.0	587.0	587.0	573.0	507.2	440.7	513.0
Private Non- Guaranteed Short-term	216.0	950.3	1807.2	1670.9	1731.2	1791.6	1933.3	1336.0
Private Non - Guaranteed External Debt	696.0	1952.0	4068.5	3584.3	3651.5	3740.9	4028.5	3767.0
Total Public & Publicly Guaranteed External Debt	8,934.6	8,881.0	9,146.9	8,601.5	8,531.0	8,620.3	9,546.3	11,070.6
Total Public External Debt (Excl. RBZ)	8,319.6	8,267.0	8,559.9	8,014.5	7,958.0	8,113.1	8,172.4	8,094.6
Total Public External Debt / GDP	52.6%	50.9%	51.2%	47.3%	46.6%	44.9%	48.1%	59.7%
External Debt / GDP	52.9%	58.5%	70.7%	63.8%	63.4%	61.8%	66.2%	77.2%

Source: Reserve Bank of Zimbabwe, 2019

RESERVE BANK OF ZIMBABWE

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