Infrastructure Development Bank of Zimbabwe

NATIONAL GROWTH AND TRANSFORMATION ENABLERS

2018 Annual Report

CONTENTS

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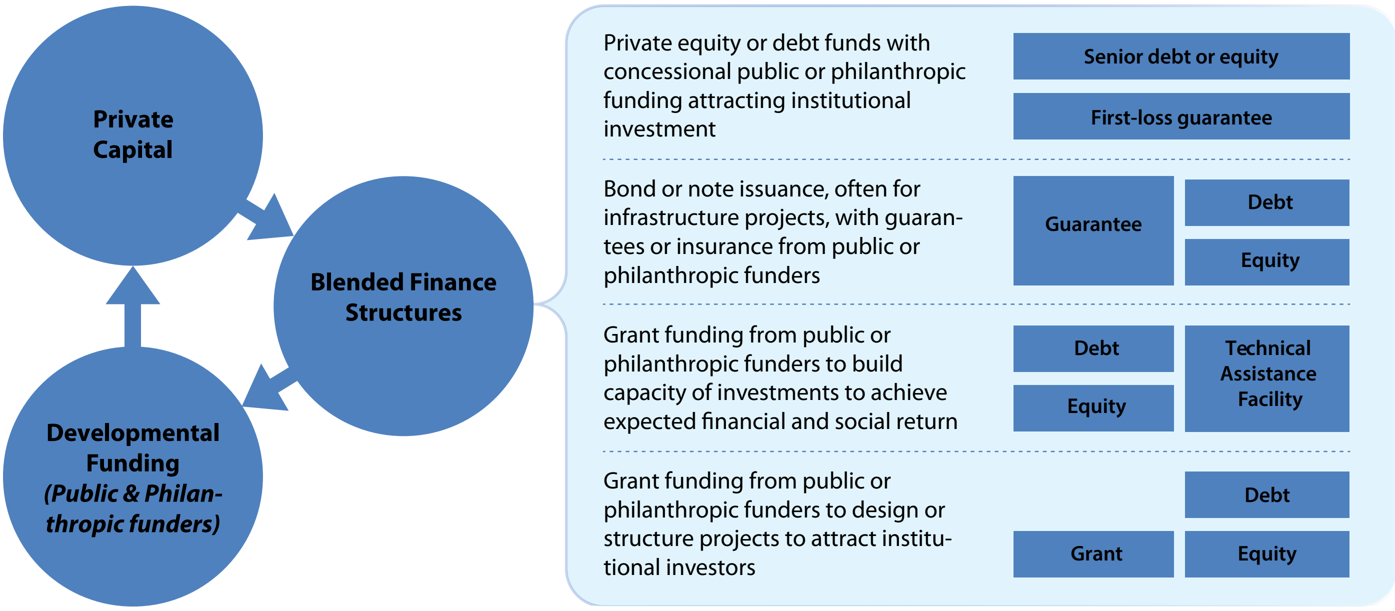
ABBREVIATIONS AND DEFINITIONS

AADFI	African Association of Development Finance Institutions
AFC	Africa Finance Corporation
AfDB	African Development Bank
AML	Anti-Money Laundering
APPS	Active Projects Processing Schedule
BSAC	Bulawayo Student Accommodation Project
CBS	Core Banking System
CEPS	Procurement Secretariat
CFF	Climate Finance Facility
CFT	Countering the Financing of Terrorism
CGF	Corporate Governance Framework
CGU	Corporate Governance Unit
COBIT5	Control Objective for Information and Related Technology 5
CRS	Corporate Social Responsibility
CUZ	Catholic University of Zimbabwe
DBSA	Development Bank of Southern Africa
DFIs	Development Finance Institution
DPC	Depositor Protection Corporation
Dr	Doctor of Philosophy
ERM	Enterprise Risk Management
ESIA	Environmental and Social Impact Assessment
ESS	Environmental and Social Sustainability Policy
ESSMS	Environmental and Social Sustainability Management System
EU	European Union
EWHP	Empumalanga West Housing Project
EXCO	Executive Management Committee
FDI	Foreign Direct Investment
FINSEC	Financial Securities Exchange.
GCF	Green Climate Fund
GDP	Gross Domestic Product
GoZ	Government of Zimbabwe
Hon	Honourable
HRMS	Human Resources Management System
IAs	Implementing Agencies
IBRD	International Bank for Reconstruction and Development
ICT	Information Communication Technology
IDA	International Development Association
IDBZ	Infrastructure Development Bank of Zimbabwe – ("the Bank")
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPDR	Infrastructure Projects Department
IPPs	Independent Power Producers
ISERDP	Institutional Support for State Enterprises Reform and Delivery Project
IT	Information Technology
IVCF	Infrastructure Value Chain Financing
JVs	Joint Ventures
KHDP	Kariba Housing Development Project
km	Kilometre
KSPS	Kariba South Power Station
KYC	Know Your Customer
LIC	Loans and Investment Committee
m	Metres
m3	Cubic metres
mm	Millimetres
MALCO	Management Asset and Liability Committee
MDBs	Multilateral Development Banks
MFIs	Multilateral Finance Institutions
ML	Managerial Level
MoEWC	Ministry of Environment, Water and Climate
MoFED	Ministry of Finance and Economic Development
MoHCC	Ministry of Health and Child Care
MP	Member of Parliament
MTS	Medium Term Strategy (2016-2020)
MW	Mega Watts
NIE	National Implementing Entity
NPL	Non-Performing Loans
NRZ	National Railways of Zimbabwe
ODA	Official Development Assistance
PAP	Project Affected People
PECG	Public Entities Corporate Governance
PL	Professional Level
PIDA	Programme for Infrastructure Development
PIMGs	Public Investment Management Guidelines
PMS	Project Management System
POTRAZ	Postal and Telecommunication Regulatory Authority of Zimbabwe
POGM	Policies, Operations Guidelines and Manuals
PPDF	Project Preparation and Development Fund
PPDPA	Public Procurement and Disposal of Public Assets Act
PPPs	Public Private Partnerships
PRAZ	Procurement Regulatory Authority of Zimbabwe
PSGRS	Prudential Standards, Guidelines and Rating Systems
PSIP	Public Sector Investment Programme
RBZ	Reserve Bank of Zimbabwe
RMCF	Resource Mobilisation and Climate Finance Unit
RMF	Results Measurement Framework
RMS	Resource Mobilisation Strategy
RTGS	Real-Time Gross Settlement Systems
RTGS$	Real-Time Gross Settlement Systems Dollars
SADC	Southern Africa Development Community
SADC- DFRC	Southern Africa Development Community Finance Resource Centre
SDGs	Sustainable Development Goals
SEPs	State Enterprises and Parastatals
SERA	State Enterprises Reform Agency
SSA	Sub-Saharan Africa
TSP	Transitional Stabilisation Programme
UK	United Kingdom
UN	United Nations
USA	United States of America
US	United States of America
USSAP	University Students and Staff Accommodation Programme
USD	United States Dollars
US$	United States Dollars
WASH	Water, Sanitation and Hygiene
ZDB	Zimbabwe Development Bank
ZIA	Zimbabwe Investment Authority
ZIMASSET	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
Zim Stats	Zimbabwe National Statistics Agency
ZIMCODE	National Code on Corporate Governance Zimbabwe
ZIMRA	Zimbabwe Revenue Authority
ZINARA	Zimbabwe National Road Authority
%	Percent

ABBREVIATIONS AND DEFINITIONS (CONT')

The future of development funding

Blended finance *- "strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries" (Alex Money, 2018). At the Third International Conference on Financing for Development in 2015 in Addis Ababa it was agreed that* ***blended finance*** *is one critically important approach to mobilise new sources of capital for the SDGs by deploying public funds to attract private investment.*



Source: Convergence, 2018, adapted from IDBZ forthcoming report, 2019.

SUMMARY RESULTS

TOTAL ASSETS
Increased by 212%
$590m (FY17: $189m)

PROFIT
Up 240%
$814k (FY17: -$581k [restated])

REVENUE
Increased by 54%
$13.2m (FY17: $8.6m)

Equity
Up 310%
$198m (FY17: $48m)

DEVELOPMENT IMPACT

Serviced housing stands delivered: 332

Project funding raised: $10.4 million

Housing projects under implementation: $37.9 million

CORPORATE INFORMATION

HEAD OFFICE

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Telephone: +263 292 70035, 70398, 70241, 70672
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AUDITORS

Baker Tilly Chartered Accountants (Zimbabwe)

LEGAL ADVISORS

Sawyer & Mkushi
Gill, Godlonton & Gerrans
Kantor and Immerman Legal Practitioners

BANKERS

CBZ Bank Limited
FBC Bank Limited
BancABC Limited

BANK SECRETARY

Kennias Kanguru
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Telephone: +263 242 750171-8
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BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Joseph Mhakayakora
Acting Board Chairman

Thomas Zondo Sakala
Chief Executive Officer

Vavarirai H Choga
Non-Executive Director

Nelson Kudenga
Non-Executive Director

Margaret M Sangarwe
Non-Executive Director

Charles S Tawha
Non-Executive Director

Pfungwa Kumaka
Non-Executive Director

Kenias Kanguru
Bank Secretary

CORPORATE MANAGEMENT

Thomas Zondo Sakala
Chief Executive Officer

Cassius Gambinga
Director - Finance

Desmond Matete
Director - Infrastructure Projects

Philip Tadiwa
Director - Corporate Services & HR

Willing Zvirevo
Director-Resource Mobilisation & Climate Finance

Nobert Munengwa
Executive Assistant to the CEO

Reggie Dangarembwa
Head Corporate Banking & Trade Finance Unit

Daniel Makono
Legal Counsel

Dr Khutula Sibanda
Chief Economist/ Head of Strategy & Performance Monitoring

Nobert Mutasa
Head Credit & Operations Unit

Douglas Mapuranga
Head ICT Unit

Takaidza Mabuto
Head Risk Management Unit

Kenias Kanguru
Bank Secretary

Patrice Muzonda
Head Internal Audit Unit

CHAIRMAN'S STATEMENT

J. Mhakayakora
Acting Chairman

Background

The Bank's operating environment in 2018 was characterised by macroeconomic instability which worsened towards the end of the year. As a result, GDP growth for 2018 was revised from 6.3% to 4.0% and is expected to slow down to 3.1% in 2019[1]. The downward revision of growth was attributable to persistent foreign currency shortages and high inflation which closed the year at 42.02%. The situation was exacerbated by very limited foreign direct investment, increasing sovereign debt, widening fiscal deficit and country risk. Added to that, inadequate economic and social infrastructure, for which the financing gap is estimated at US$26 billion, continues to negatively affect investment across economic sectors, thus putting a drag on the country's competitiveness and growth[2].

Contribution to Vision 2030

The Government of Zimbabwe launched a growth-oriented Transitional Stabilisation Programme (TSP 2018-2020) which is anchored on Governance; Macro-economic Stability and Re-engagement; Inclusive Growth; Infrastructure and Utilities; and Social Development. The Bank is pivotal to the realisation of these national aspirations. During the period under review, the Bank continued to deliver on its infrastructure development mandate, guided by its Medium-Term Strategy (MTS, 2016-2020) which places focus on key economic enablers.

Addressing infrastructure gaps will be key to economic growth and the attainment of Vision 2030. The emphasis of the TSP on value addition and beneficiation requires adequate investment in water & sanitation, energy generation and transport infrastructure. The country's development agenda also prioritises environmental protection and sustainable use of natural resources. In this regard, the Bank is actively involved in power generation projects to enable industrialisation, technological advancement and value addition. The Bank's focus on the transport sector seeks to provide seamless linkages to markets and reduction of transaction costs.

In line with the TSP, the Bank works with local authorities and other Government Agencies in the provision of water & sanitation services to ensure inclusive and sustainable socio-economic development. The Bank has also embarked on a national programme to modernise teaching and learning facilities at universities and institutions of higher learning to promote human capital development.

Bank Performance

I am pleased to report that the Bank continued to impact positively on the country's development outcomes during the period under review. Notable progress was made in the implementation of the Kariba Housing Development Project (KHDP), Empumalanga West Housing Project (EWHP), and the Bulawayo Student Accommodation Project (BSAC). The EWHP and KHDP projects are expected to significantly reduce housing backlogs for the strategic towns of Kariba and Hwange whose economic activities are mainly premised on tourism and power generation. The Bank is working with respective municipalities and local authorities to upgrade and rehabilitate water and sewer systems across the country through its involvement in water, sanitation and hygiene (WASH) projects for the following local authorities:

- Chiredzi Town Council;
- Victoria Falls Municipality;
- Marondera Municipality; and
- Redcliff Municipality.

[1]MoFED 2018 [2]TSP 2018

CHAIRMAN'S STATEMENT (Cont')

The following social infrastructure projects whose preparation has been on-going in 2018 are expected to be developed to bankability and some to be fully implemented during the period 2019 – 2021:

- Chinhoyi University of Technology (CUT) Student Accommodation;
- Catholic University in Zimbabwe Student Accommodation;
- Women's University in Africa (WUA) Student Accommodation;
- Harare Public Ablution Facilities (Rehabilitation and Construction);
- Doelfontein Housing (Gwanda);
- Spitzkop Housing (Gwanda);
- Gweru CBD Expansion;
- Mkoba 21 Housing (Gweru);
- Victoria Ranch Housing (Masvingo);
- M'tonjeni Housing (Zvishavane);
- Plumtree Low Density Housing;
- Willsgrove Park Housing (Bulawayo);
- Killarney Medical Staff Accommodation (Bulawayo);
- Lupane Student & Medical Staff Accommodation;
- Pomona Medical Staff Accommodation (Harare);
- Christmas Pass Mixed Development (Mutare); and
- Denver Housing Project (Bulawayo).

The Bank in collaboration with relevant authorities is working on project preparation and development of the mass transport system programme which includes the Chitungwiza – Harare Rail Link Project, and plays an advisory role in the development and implementation of Beitbridge–Harare–Chirundu Road Dualisation and Rehabilitation as well as the Beitbridge Border Post Modernisation projects.

In addition to the above projects, the Bank is engaged as a Transaction Advisor to the Ministry of Primary and Secondary Education Schools Infrastructure Development Project which is targeting the construction of 2,056 new schools across the country.

In the year 2018, there was a marked increase in fiscal support to the Public Sector Investment Programme (PSIP), with funds channelled under the Bank's management recording a 300% increase from the previous year to reach $455.5 million.

The Bank has made significant progress towards accreditation to the Green Climate Fund (GCF) following its nomination by Government as a National Implementing Entity for the GCF in 2017. Successful accreditation will give the Bank eligibility to access GCF resources to support implementation of climate change mitigation and adaptation projects. Meanwhile, the Bank is working on attracting other climate finance sources for blending with the Bank's own capital and private sector resources.

In keeping with best practice, the Bank now puts environmental, social and gender considerations at the core of planning, development and implementation of infrastructure projects. This will ensure that projects undertaken by the Bank are sustainable and inclusive, whilst minimising negative impacts on communities.

Outlook and Appreciation

Going forward, the Bank stands ready to collaborate and harness partnerships towards the provision and delivery of adequate, reliable, affordable and sustainable infrastructure and social services in support of economic growth. Let me take this opportunity to extend my appreciation to the Government through the Ministry of Finance and Economic Development and the Reserve Bank of Zimbabwe for availing an additional $152.9 million in early 2018 towards the Bank's recapitalisation. This support will go a long way in the fulfilment of the Bank's capitalisation targets.

Support from all stakeholders, our valued customers, suppliers and business partners, is well cherished and we wish to continue together on this fruitful national developmental journey. The Bank managed to score successes in its developmental work. I am appreciative of my colleagues on the Board, Management and Staff who have worked tirelessly under the obtaining economic challenges.

J. Mhakayakora
Acting Chairman
Date : 20 March 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

T. Zondo Sakala
Chief Executive Officer

Bank Operations

The Bank's Work Programme and Budget theme for 2018 was, "Harnessing Partnerships for Infrastructure Rehabilitation, Expansion and National Socio-Economic Transformation". In line with this thrust, I am happy to report that the Bank has continued to actively prepare and develop projects in the housing; energy; transport; and water; irrigation and sanitation sectors. During the period under review, the Bank started work towards developing projects to bankability valued at more than $151 million across its sectors of focus.

Cumulatively, the Bank has raised a total of $127.3 million through the issuance of Infrastructure Development Bonds since the bond issuance programme commenced in 2012. During the reporting period the Bank raised $10.34 million towards project financing activities, and more could have been mobilised were it not for delays that were experienced in the procurement of regulatory approvals on some of the projects under development.

The key highlights for the reporting period include the following:

- The Kariba Housing Project (initially worth $14.8 million) was expanded to include the upgrade of the water supply system, thus bringing the total project cost to $16.8 million. Project progress was at 93% and is expected to be completed in the second quarter of 2019.
- The Bulawayo Student Accommodation Complex ($14.2 million) and Empumalanga West Housing Project, Hwange ($6.9 million) where project progress is currently at 80% and project completion is targeted by the third quarter of 2019.
- Individual projects under the $34 million University Students and Staff Accommodation Programme are attracting prospective investors who are proposing to develop projects through an Engineering Procurement Construction and Financing (EPC+F) model.
- During 2018, the Bank intensified efforts in the planning processes of Chinhoyi University of Technology (CUT)

Student Accommodation and Catholic University in Zimbabwe (CUZ) Student Accommodation projects. The project planning activities are now at advanced stages and subject to approval by the Bank's Board in the second quarter of 2019.

- Other projects which are in the planning phase are the CUT learning facilities ($5.4 million), Zimbabwe School of Mines Students Accommodation ($5 million), Women's University in Africa Student Accommodation and the Sumben Housing Project ($16 million).

The Bank has significantly intensified the monitoring of PSIP projects whose funds are being disbursed through the Bank. These included;

Water & sanitation:

- Tugwi-Mukosi access road that provides a link between Ngundu-Tanganda Road and Tugwi-Mukosi Dam was completed in 2018.
- Marovanyati Dam started harvesting water in the 2018-2019 rain season. This will improve water supply and irrigation development for the semi-arid region of Murambinda.
- Causeway Dam is 65% complete and is expected to start impounding water in the 2019 – 2020 rain season.
- Gwayi-Shangani Dam is 36% complete and is expected to have a capacity of 691 million cubic metres.
- Semwa Dam, located in Mt Darwin, is 34% complete with a water holding capacity of 260 million cubic metres.
- Chivhu Dam is 16% complete and will have a water holding capacity of 25 million cubic metres.

Transport

- Harare-Mutare road dualisation, Goromonzi Turnoff to Melfort Tollgate, and Bindura-Shamva Road were commissioned in 2018.
- Emergency Road Development and Rehabilitation Works in eight (8) provinces received over $233 million through the Bank in 2018; funding was through the PSIP window.

Housing and Institutional Accommodation

- Parklands housing project in Bulawayo is 100% complete and was issued a certificate of compliance.
- Makonde and Nemanwa (Masvingo) housing stands development projects are at 80% and 85% completion, respectively, as at the end of 2018.
- The Nyanga District Registry project was completed and is critical in the decentralisation of registry documents provision.

The Bank is working on a recapitalisation programme in pursuit of its capitalisation targets of $500 million in the short-medium term and $1 billion in the long term. Apart from scaling up the Bank's underwriting capacity, the recapitalisation is intended to bring on board strategic institutional investors who are aligned to the Bank's developmental mandate and who will facilitate access to long term capital suitable for infrastructure investment. In addition to its bond issuance programme, the Bank has developed a suitable funding model for the Bulawayo Students Accommodation Project which has resonated well with institutional investors and will be replicated on other similar projects. The Bank is also working on putting together an Alternative Investment Platform which seeks to pool capital from pension funds and other institutional investors for increased infrastructure investments.

In order to broaden funding sources and build the required critical mass, the Bank is accelerating its engagements with regional, continental and international development finance institutions (DFIs) and multilateral finance institutions (MFIs) to establish strategic partnerships which will facilitate collaboration in the preparation and financing of infrastructure projects. These engagements are viewed as long term initiatives which will give the Bank the necessary platform to mobilise critical implementation financing for projects in cooperation with other development institutions.

Since 2016, an amount of $6.93 million was disbursed from the Project Preparation and Development Fund (PPDF) towards funding of project development activities for a number of infrastructure projects which include student accommodation, housing, transport and renewable energy.

The Bank is on a drive to align its human resource base with the thrust on climate finance, gender sensitivity, environmental and social sustainability, and inclusive investments. For the period under review the Bank continued on its transformational journey and retooling exercise aimed at deepening the Bank's skills set.

Financial Performance

The Bank's revenue grew by 55% from $8.6 million in 2017 to $13.3 million in 2018. This was driven by strong performance in net interest income. The Bank received $152.9 million in capital in 2018 which boosted the Bank's income generating capacity. In addition, the Bank benefited immensely from increased money market placements as a result of enhanced liquidity. Fees and commission income also registered growth of 28% from a prior year figure of $2.7 million to $3.5 million in the current year. This was as a result of increased recoveries (monitoring fees) from disbursements on Road Maintenance and Development and disbursements on water projects. Moreover, the Bank earned some advisory fees from its roles as the transaction advisor on Government projects.

Fair value losses of $1 million were recorded on investment property due to depressed activity in the property market and low occupation levels, leading to low rates of return. However, the Bank made a profit of $0.8 million against a prior year restated loss of $ 0.6 million. The restatement was a result of Value Added Taxes (VAT) of $1.2 million which were not recovered and remitted to ZIMRA on time. Total comprehensive loss for the year was $2.1 million against the prior year restated loss of $0.2 million.

Total assets grew by 213% from $189 million at the prior year end to $591 million as at 31 December 2018. This growth was spurred by receipt of additional capital worth $152.9 million from Government and growth in PSIP funds earmarked for public infrastructure projects. This resulted in increases in cash and bank balances, as well as money market placements.

The loan portfolio continued to perform well. Resolution of non-performing exposures to Meikles and Easy Credit will bring the NPL ratio within the RBZ acceptable threshold of 5%; this is projected to be concluded by the end of the second quarter of 2019. The Bank continues to strengthen its credit appraisal, monitoring and recovery processes in order to maintain the NPL ratio within the acceptable threshold.

Appreciation

I would like to express my sincere gratitude to the Government, the Ministry of Finance and Economic Development, the Reserve Bank of Zimbabwe and all other stakeholders for their unwavering support to the Bank's efforts in accelerating infrastructure development in the country. I am indebted to the guidance of the Board and contribution of Management and Staff for their efforts towards the delivery of Bank's mandate.

T. Zondo Sakala
Chief Executive Officer
Date: 20 March 2019

"Harnessing partnerships for infrastructure rehabilitation, expansion and national socio-economic transformation."

CHAPTER 1: PREPARING A STRONG FOUNDATION FOR IDBZ CONTRIBUTION TO VISION 2030

1.1 Global Economic Performance and Outlook

The global economy took a slight knock registering a growth of 3% in 2018 from 3.1% in 2017. This reflects the elevation of downside risks to global growth, which include the increase in the international oil prices and growing protectionism. Global growth was supported by the USA which registered an estimated GDP growth of 2.9% in 2018 and is projected to reach 2.5% in 2019 as shown in Table 1.1. China's growth is projected to moderate from 6.9% in 2017 to 6.5% in 2018 and 6.2% in 2019, reflecting slowing external demand growth and financial tightening. These growth patterns will influence international commodity prices and growth in developing economies. Sub-Saharan Africa (SSA) is expected to grow less than the Emerging Market and Developing Economies.

Table 1.1: Global Economic Prospects, 2017 – 2021

Region/ Country	% Real GDP Growth/ Year					
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
World	2.4	3.1	3.0	2.9	2.8	2.8
Advanced Economies	1.7	2.3	2.2	2.0	1.6	1.5
USA	1.6	2.2	2.9	2.5	1.7	1.6
China	6.7	6.9	6.5	6.2	6.2	6.0
BRICS	4.4	5.2	5.3	5.2	5.3	5.3
Euro Area	1.9	2.4	1.9	1.6	1.5	1.3
Emerging Market and Developing Economies	3.7	4.3	4.2	4.2	4.5	4.6
Sub-Saharan Africa	1.3	2.6	2.7	3.4	3.6	3.7
Nigeria	-1.6	0.8	1.9	2.2	2.4	2.4
South Africa	0.6	1.3	0.9	1.3	1.7	1.8

Source: Global Economic Prospects (World Bank, January 2019).

1.2 Sub-Saharan Africa Economic Performance and Outlook

The Sub-Saharan Africa (SSA) region registered a 2.7% growth rate in 2018, which is a slight improvement from the 2.6% registered in 2017 as shown in Table 1.1. SSA growth was weighed down below expectations due to sub par economic performance of South Africa (SA) and Nigeria. In 2019, the region is projected to grow at a rate of 3.4%.

In SA, growth for 2018 has been revised downwards to 0.9% from the previous estimate of 1.4%. In 2019, growth in South Africa is projected to pick up to 1.3%, lower than the previous estimate of 1.8%. Meanwhile, growth in Nigeria is expected to pick up in 2019 to 2.2% from 1.9% in 2018 (see Table 1.1).

The competitiveness of Zimbabwe's manufactured products against SA products was eroded due to a depreciating South African Rand (ZAR) against the United States Dollar (USD) and other major currencies. With South Africa being by far the country's major trading partner, a weakening ZAR negatively impacted on the value of Zimbabwe's manufactured exports. Moreover, a downturn in the South African economy led to a slowdown in diaspora remittances.

1.3 Global Financing Environment and Outlook

Recovery of the world economy offers hope to the Bank and the country in the long term. In the short term, international capital flows into Zimbabwe will be limited as the country works towards reintegration with the international community. The country will also be affected by global fiscal tightening and a fall in liquidity in major markets, making resource mobilisation from these markets very difficult. The asset re-organisation that might occur because of improving prospects in advanced economies and the search for better returns in frontier markets implies that Zimbabwe will attract FDI at a premium. During the year the country suffered a huge setback as sanctions imposed by the USA and Canada were extended. Going forward, this will have a huge bearing on both the country and the Bank's ability to secure foreign lines of credit.

There is need for the Bank to scale up its resource mobilisation efforts to attract international investments in infrastructure development. The Bank has an opportunity to leverage on its unique relationship with the Government of Zimbabwe to pursue mutually beneficial cooperation with other development institutions and donor agencies. Contingent on the success of the re-engagement process, long term capital inflows are expected to rise, alleviating financial constraints to growth. The Bank is also looking to accelerate engagements with new emerging countries for funding, including the Arab oil producing countries, targeting Development Institutions and Bilateral Funds.

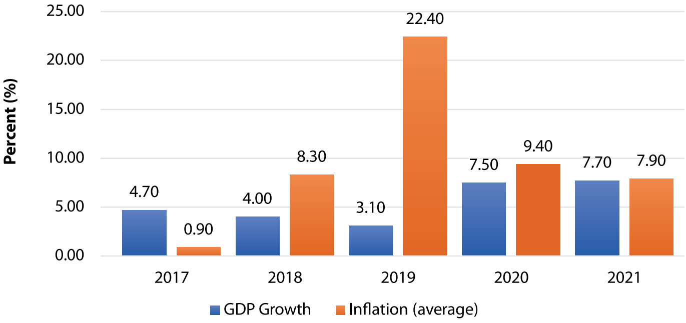
1.4 Zimbabwe Economic Performance and Outlook

The 2018 elections in Zimbabwe ushered in a new government which is focused on socio-economic development and is both guided and driven by Vision 2030 which captures the country's aspirations of attaining upper middle-income status by 2030. A growth-oriented economic stabilisation strategy, the Transitional Stabilisation Programme Reforms Agenda (TSP 2018-2020) launched in November 2018, guides Government's policy initiatives and programmes aimed at achieving economic transformation. The TSP is anchored on five key pillars, namely Governance; Macroeconomic Stability and Re-engagement; Inclusive Growth; Infrastructure and Utilities, and Social Development. The Banks is pivotal to the realisation of these national aspirations and will play a key role under the Infrastructure and Utilities pillar.

In 2018, the country is expected to register real GDP growth of 4%, a downward revision from the initial projection of 6.3% followed by an estimated growth of 3.1% in 2019, 7.5% in 2020 and 7.7% in 2021 (see Figure 1.1). The downward revision of growth was on account of inadequate foreign currency to import critical inputs for industries and formidable inflationary pressures towards the end of the year. The situation has been exacerbated by lack of foreign direct investment, increasing sovereign debt, widening fiscal deficit and elevated country risk. Macroeconomic instability, more pronounced in the last half of 2018, became a major threat to the Banks operations as a result of price increases, shortage of foreign currency and declining investor confidence.

GDP growth is going to be driven by mining, agriculture, construction and distribution, hotels and restaurants, human health and social activities and real estate. Major risks to growth include expectation of an El Nino induced drought in 2019, acute foreign currency shortages, perceived high country risk and persistent inflationary pressures.

Figure 1.1: Zimbabwe GDP Growth and Inflation projections, 2017-2021

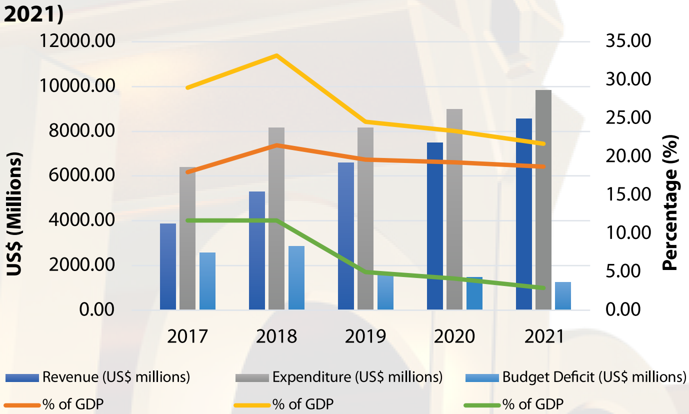


Source: Ministry of Finance and Economic Development & Zimstats, 2018

Zimbabwe's annual inflation increased from 5.39% in the month of September 2018 to 42.02% in December 2018 making it the highest rate since Zimbabwe dollarised in 2009 (ZimStats, 2019). Inflation is expected to average 8.3% in 2018 and 22.4% in 2019 as shown in Figure 1.1. The inflation outlook is likely to increase the costs of delivering infrastructure projects and the Bank's lending activities are going to be affected as it faces negative interest rates. The limited foreign currency liquidity and the increase in RTGS$ linked prices will worsen aggregate demand culminating in decline in the demand for Bank products. Given high inflation expectations the Bank is going to face upward pressure on labour costs.

Expectations of high inflation erodes policy credibility and confidence thereby negatively impacting long term investment. Under the circumstances of anticipated high inflation, long term investments will diminish. An unstable macro-economic environment characterised by high inflation and negative interest rates results in negative savings.

Figure 1.2: Zimbabwe Macroeconomic Indicators Outlook (2017-2021)



Source: Ministry of Finance and Economic Development (MoFED, 2018)

Total public debt stood at US$17.69 billion at the end of August 2018, of which domestic debt accounted for 54%, up from 49% (MoFED, 2018). The country's external debt is estimated at US$ 8.5 billion and outstanding arrears amounted to US$1.7 billion owed to AfDB, IBRD, and IDA. Similarly, external debt is growing at a rate of US$1 billion per year through interest and penalties. Clearance of this debt is critical for the country to be able to access foreign lines of credit.

Benefits to be gained from re-engagement can only be realised if external debt is fully dealt with. It is therefore estimated that benefits from successful re-engagement will be in two to three years' time.

1.5 Zimbabwe Development Thrust and Outlook

The country's development thrust is articulated in the TSP 2018-2020 in support of Vision 2030. In the long term, Government will come up with two five-year development strategies up to 2030. For Zimbabwe to achieve upper middle economy status, income per-capita should be between US$6 151 – US$19 020. Research has shown that countries that have succeeded in transitioning to upper middle-income economy status invested heavily in human capital development, research and development, and robust productive infrastructure.

The emphasis of the TSP on value addition and beneficiation requires adequate investment in energy generation, transport infrastructure, water & sanitation. The country's development agenda pays keen attention on environmental protection and sustainable use of natural resources.

1.5.1 Bank's Contribution to National Development Agenda

The Bank, in pursuit of its mandate, plays a catalytic role in the achievement of the national development targets through advisory services, project preparation and development and mobilisation of resources for infrastructure development. The Bank's programmes in infrastructure development form a critical element in economic development as it answers to society's basic needs.

Infrastructure provision oils the economy's wheels without which attainment of Vision 2030 is almost impossible. In this regard, the Bank is actively involved in power generation projects to power industrialisation enabling technological advancement and value addition. The Bank's focus on the transport sector seeks to provide seamless linkages to markets and significantly reducing transaction costs.

In line with the TSP, the Bank works with local authorities and other Government Agencies in provision of water & sanitation services to ensure inclusive, sustainable socioeconomic development. In promotion of human capital development, the Bank has embarked on a national programme to modernise teaching and learning facilities at universities and institutions of higher learning.

1.5.2 Bank's Contribution to International Development Agenda

The 2030 Agenda for Sustainable Development and SDGs are plans of action for people, planet and prosperity (UN, 2015). The agenda identified poverty eradication in all its forms and dimensions as the superior goal. The seventeen targets set out are meant to set the world on a transformative path to ensure delivery on the three dimensions of sustainable development; economic, social and environmental. The SDGs also pay special attention to the empowerment of women and girls and ensure lasting protection of the planet and its natural resources.

As envisioned in the Agenda, there is concerted effort to work towards universal access to tertiary education, quality education at all levels, health and social protection, safe drinking water & sanitation, and affordable reliable and sustainable energy. Within 10 years, the world seeks to ensure safe, resilient and sustainable habitats.

In answering the international call to action, the Bank has embarked on a housing development programme covering most provinces in the country. Some of the ongoing and completed projects are in Masvingo (Clipsham Views Housing Project), Harare (New Marimba Housing Project), Hwange (Empumalanga West Housing Project) and Kariba (Kariba Housing Development Projects). These projects seek to make cities and human settlements inclusive, safe, resilient and sustainable (SDG 11), and ensure availability and sustainability of water & sanitation for all through development of on and off- site infrastructure (SDG 6). The projects contribute to ending poverty in its forms everywhere (SDG 1), ensure healthy lives and promote wellbeing for all at all ages (SDG 3), and promote inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG 8). In all its operations the Bank seeks to achieve gender equality and empower all women and girls (SDG 5).

The Bank has strengthened its internal systems to ensure that all operations answer to the global call to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss (SDG 15). Together with other stakeholders, the Bank is involved in dam construction and irrigation development around completed dams. For instance, at Tugwi- Mukosi Dam there is a plan to roll out a 25 000-ha irrigation scheme which will assist to combat climate change and its impact (SDG 13). In line with this, the Bank is in the process of securing accreditation to the Green Climate Fund as a designated national implementing entity.

The Bank's mandate, mobilisation of appropriate resources for infrastructure development, is in tandem with building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation (SDG 9), and ensuring access to affordable, reliable and sustainable and modern energy for all (SDG 7). The 2019 Work Programme outlines the targeted power generation projects mainly in renewable sources of energy. The Bank is also playing an advisory and project management role in the implementation of the national road rehabilitation programme.

CHAPTER 2: INFRASTRUCTURE; STATUS, FINANCING AND PRIORITIES

2.1 The Infrastructure Deficit

The country's envisaged socio-economic transformation and development will be anchored on a robust and sustainable infrastructural base. Structural transformation and industrialisation will require well-developed infrastructure to stimulate production, enhance competitiveness, promote both domestic and foreign investment, and induce sustained economic growth. Therefore, scaling up infrastructure investment is a key pillar in the country's development strategies. Limited fiscal space has continued to undermine public investments and delivery of public infrastructure, with only US$2.02 billion in fiscal resources having been outlaid towards infrastructure investments during the 9-year period from 2010 to 2018. This is against annual infrastructure funding requirements of US$1.65 billion (World Bank, 2012).

The infrastructure investment requirements may be more considering additional investment required to combat climate change. Climate change has resulted in increased frequency of extreme weather events leading to destruction and dilapidation of both social and economic infrastructure, thus leaving communities more vulnerable. Zimbabwe as an agro-based economy requires mitigation and adaptation programmes to ameliorate the effects of climate change.

Addressing the large infrastructure gaps created by decades of underinvestment and adverse climate events is a key objective of the TSP. Through the TSP, Government has made a paradigm shift by targeting increased budgetary allocations towards infrastructure from the 13% in 2018 of total budget expenditure to over 20% in the next five years to 2023. Increased investment by government in public infrastructure provides opportunities for de-risking projects to crowd-in private capital into infrastructure development.

The country requires an estimated US$26.97 billion for infrastructure development between 2018 and 2020 to achieve the targets of the TSP *(see Table 2.1)*.

Table 2.1: Zimbabwe Infrastructure Financing Needs 2018 - 2020

		Government Budget Allocation		
Sector	**Estimated Total Costs (million US$)**	**2019 (million US$)**	**2020 (million US$)**	**Deficit (million US$)**
Energy	7 336.00	621.10	1 790.90	4 924.00
Transport	6 170.20	922.20	891.50	4 356.50
Water & sanitation	4 239.90	297.80	281.80	3 660.30
Information Communication Technology	707.00	98.00	118.80	490.20
Social Services				-
Health	1 473.20	50.70	74.00	1 348.50
Primary and Secondary Education	2 283.60	42.00	56.00	2 185.60
Universities	2 135.30	134.60	106.80	1 893.90
Rehabilitation Centres	30.00		-	30.00
Social Services Total	***5 922.10***	***227.30***	***236.80***	***5 458.00***
Housing	1 704.80	215.00	285.70	1 204.10
Agriculture	816.40	94.70	105.60	616.10
Project Preparation	70.00	18.00	25.00	27.00
Capacity Building for Public Investment Management	5.00	2.00	3.00	-
Total	***26 971.40***	***2 496.10***	***3 739.10***	***20 736.20***

Source: Transitional Stabilisation Plan 2018-2020, MoFED, 2018

It is estimated that about US$6.2 billion is required in the transport sector of which an estimated US$5.5 billion is for the rehabilitation of the country's entire road network. The energy sector requires about US$7.3 billion, Water & sanitation – US$4.3 billion, Social Services – US$6.0 billion and Housing US$1.7 billion as shown in Table 2.1.
Of the US$26.97 billion required, Government allocation through the budget amounts to US$6.24 billion leaving a financing gap of US$20.74 billion as shown in Table 2.1. This put into perspective the call by Government for private sector, donor community and philanthropists to take part in infrastructure development through PPPs and blended finance.

The Government allocated US$25.7 million towards a national Project Preparation and Development Fund (PPDF) for activities such as feasibility studies, environmental and social impact assessments and design studies, among others. Adequate project preparation and development will lead to improvement in bankability of infrastructure projects.

2.2 Infrastructure Financing Context

As at the 30th of November 2018, Zimbabwe had nineteen (19) banking institutions, 188 Credit-only Micro Finance Institutions (MFIs), six (6) Deposit-taking Micro Finance Institutions, and two (2) DFIs (RBZ, 2018). Regional and international financial institutions such as DBSA, China Development Bank, China Export Import Bank, World Bank, AfDB and Africa Finance Corporation are showing interest in funding Zimbabwe's infrastructure.

All the financial institutions in Zimbabwe were compliant with the minimum capital requirements as at 30 November 2018 (RBZ, 2018). IDBZ's core capital reached US$168.3 million by the end of 2018.

The total deposits in the banking sector increased from $8.48 billion in December 2017 to $10.32 billion by December 2018 (RBZ, 2019). Most of the deposits in the market were short term, leaving meagre resources for long term projects. The obtaining macroeconomic environment is characterised by:

- Low savings rates (currently negative);
- High inflation;
- Perceived high sovereign risk;
- Low levels of FDI; and
- Foreign currency shortages.

This places a major risk to the mobilisation of appropriate resources for infrastructure development. It is anticipated that as the economy stabilises in response to an array of fiscal and monetary policy reforms, confidence will be restored and there will be increased investment in infrastructure which offers long term returns. Given the scale of infrastructure funding requirements and constrained public-sector financing capacity, increased private capital mobilisation for infrastructure investments has become critical.

The progressive macro-economic policy reforms, increased efforts by Government to clear external debt arrears and the ongoing re-engagement efforts as envisaged in the TSP, will create a more conducive environment for increased private sector investment in infrastructure. Guided by Government's long term Infrastructure Investment Plan, the Bank will play a pivotal role in coordinating project packaging and mobilisation of resources for priority infrastructure projects.

2.3 Infrastructure Project Development and Management

Development of infrastructure projects has mainly been affected by the lack of sufficiently prepared projects, challenges in accessing long term funding, macro-economic shocks and statutory snags in project preparation. The Bank manages a Project Preparation and Development Fund (PPDF) earmarked for capacity development in the infrastructure value chain to enhance delivery of bankable infrastructure projects.

Through the PPDF facility, the Bank seeks to ensure that priority infrastructure projects or concepts are developed to bankability in a timely and transparent manner, and that these can then attract the right levels of investment for successful implementation. During the period under review the Bank deployed the PPDF facility towards the procurement of consultants to undertake feasibility studies for Osborne Mini Hydro and Odzani Mini Hydro. In the last quarter of 2018, the Bank successfully evaluated Expressions of Interest for consultants to undertake feasibility studies for Rufaro Solar Projects.

In 2018, the Bank managed to develop a robust pipeline of projects in various sectors particularly in the housing and renewable energy sectors. However, more financial and technical resources are still required from key stakeholders and development partners to develop more priority infrastructure projects in various sectors of the local economy.

Some of challenges the Bank encountered in project development include:

- Delays in securing regulatory approvals;
- Compliance with the new procurement guidelines;
- General foreign currency shortages;
- Promoters' failure to appreciate the intricacies of infrastructure development processes and requirements; and
- Limited promoter capacity to co-finance projects.

2.4 Knowledge Generation and Sharing

Pursuant to the mandate objective of developing institutional capacity in undertakings and enterprises of all kinds in Zimbabwe, the Bank in 2018, decided to setup Knowledge Centres in Harare and Bulawayo. The centres are envisaged to offer access to both print and electronic information resources covering all the mandated sectors.

The Knowledge Centres will ensure that IDBZ's intellectual and knowledge-based assets as well as other infrastructure related information from local, regional and international organisations are efficiently and effectively processed, utilised, and shared with internal and external stakeholders.

During the period under review, the Bank undertook two studies; *Opportunities for Blending Public and Private Sector Resources,* and *Analysis of Factors that Affect Bankability of Infrastructure Projects in Zimbabwe*. The results of the studies shall be available for use by the Bank and other interested stakeholders.

CHAPTER 3: BANK'S RESPONSE TO DEVELOPMENTAL CHALLENGES IN ZIMBABWE

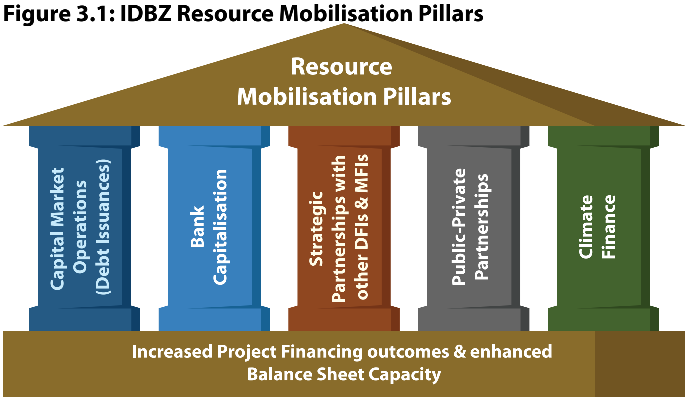
3.1 Economic Transformation Through Infrastructure Development

The Bank's theme for 2019, "*Economic Transformation Through Infrastructure Development*" seeks to position the Bank to contribute to the national development agenda as defined in the TSP.

3.2 Resource Mobilisation Strategy

The Bank's resource mobilisation activities are guided by its Resource Mobilisation Strategy (RMS) which seeks to increase project financing outcomes and grow the Bank's capital base. The RMS is anchored on the following pillars: capital market operations; bank capitalisation; strategic partnerships; public private partnerships; and climate finance as shown in Figure 3.1

Figure 3.1: IDBZ Resource Mobilisation Pillars



A key pillar of the Bank's resource mobilisation strategy is the establishment of strategic partnerships with other DFIs, multilateral finance institutions and investment funds. As Government makes progress on the resolution of external debt arrears and its re-engagement efforts, it is anticipated that these collaborative partnerships will help unlock the much-needed funding support for infrastructure investments.

3.3 Environment and Climate Change

The Bank now mainstreams environmental, gender and other social issues in all operations to ensure sustainability of infrastructure projects. To that end, the Bank established the Climate Finance and Sustainability Division to create capacity to respond to climate change issues in project planning and implementation. Subsequently, the Environmental and Social Sustainability (ESS) Policy, Gender Policy, and the Environmental and Social Sustainability Management System (ESSMS) were developed and launched.

As the National Implementing Entity, the Bank is accelerating its accreditation process to the Green Climate Fund (GCF). Successful accreditation will enable the Bank to access GCF resources to support implementation of climate change mitigation and adaptation related projects in the country. In addition to the GCF, the Bank continues to explore opportunities for climate financing from other development partners and is working on establishing a Climate Finance Facility (CFF) that will be dedicated to financing green projects.

3.4 Bank Capitalisation and Strategic Partnerships

The Bank's capital base was $204 million as at 31 December 2018, an increase of 278% from $54 million in December 2017. In order to build the requisite balance sheet capacity to make significant interventions and mobilise capital at scale to catalyse investment in infrastructure development, the Bank is pursuing a Recapitalisation Plan that seeks to achieve a capitalisation level equivalent to $500 million in the short to medium term and $1 billion in the long term. Through the Recapitalisation Plan, the Bank seeks to broaden its shareholder base by onboarding development oriented strategic partners who will facilitate access to long term capital and technical support.

The Bank is one of three state-owned banking institutions undergoing an Institutional Performance Review through the Institutional Support for State Enterprises Reform and Delivery Project ("ISERDP") supported by the AfDB. The review will culminate in the development of a turnaround strategic plan. The Bank has undertaken to enhance its governance frameworks, corporate structure, business processes and the human capital base. This together with an updated strategic plan, will provide a solid foundation for the planned recapitalisation programme.

3.5 Response to Devolution

In response to the devolution drive spelt out in the National Constitution, another focus area of the TSP, the Bank seeks to register its presence in the country's administrative provinces. In the medium term the Bank aims to open offices in Masvingo and Mutare in addition to the Bulawayo regional office.

3.6 Bank Operations

Project Bankability: Low investment in infrastructure is also attributed to a dearth of well packaged bankable projects. The Bank aims to increase its Project Preparation and Development Fund (PPDF) from $10 million in December 2018 to $30 million by December 2019, through internal capital allocations and support from development partners. This fund was established to address funding barriers in the preparation and packaging of bankable projects.

The Bank targets to develop projects to bankability worth US$54.8 million in 2019. Some of the project preparatory work will be funded through the Bank's PPDF as shown in Table 3.1.

Table 3.1: Projects Earmarked for Preparation in 2019

	Energy $ million	Transport $ million	WASH $ million	Housing, Rural and Urban Development $ million	Social and Other Infrastructure $ million
PPDF Requirements	0.6	1.5	TBA	24.3	TBA
Estimated Project Costs	100	440	140	256	1*

- *Relates to Tourism Projects*

The Bank is also coordinating project preparation activities for priority national projects in collaboration with Treasury, various Government line ministries, public implementing agencies, and other stakeholders. This will help build a pipeline of bankable infrastructure projects in the country.

The targeted values of project approvals for funding for the period 2019-2021 are indicated in Table 3.2.

Table 3.2 Summary of Projects to be Developed to Bankability

SECTOR	2019 **$ million**	2020 **$ million**	2021 **$ million**
Energy	31.4	81.2	103
Transport	-	TBA	TBA
Water & Sanitation	-	42.2	
Housing & Social Infrastructure	23.4	17.6	TBA
ICT	-	-	-
Total	**54.8**	**141.0**	**103.0**

Source: IDBZ Work Programme, 2019

The details for each sector are elaborated as follows:

Energy Sector: Energy plays a critical role in social and economic development as it is an important ingredient in the production process. Its cost impacts directly on other services and the competitiveness of enterprises. Zimbabwe's estimated suppressed peak demand is at 1 600 MW against an estimated reliable generation of 1 350 MW. National peak demand without load-shedding or other controlled consumption systems is estimated at between 2300MW – 2600MW. Energy access is currently around 40% of the total population hence there is need to reduce energy poverty through increased power generation and enhanced access to power by outlying communities. Forecasted energy demand in 2023 is estimated at 2 712 MW and 3 379 MW by 2028.The Bank's major thrust in this sector will be the construction and rehabilitation of power generation plants and transmission lines.

In line with the green energy initiatives, the Bank is working with Independent Power Producers to enhance power generation from mini hydros and solar projects. Between 2019 – 2021 the Bank aims to prepare and develop several energy projects as shown in Table 3.3 :

Table 3.3: Bank's Energy Projects Portfolio for 2019

Project	Capacity (MW)	Project Value (US$ million)	Location
Oxygen Energy Rooftop Solar Project	50	23	Country-wide
Rufaro Farm Solar Project	50	75	Marondera
Osborne Dam Mini Hydro Project	1.7	5.51	Mutare

The Bank will continue to work on these projects in 2019 with a view to ensure their bankability and implementation.

Water & sanitation: While water is the source of life and wealth for people, climate change, growing population, and deteriorating water supply and treatment infrastructure are militating against universal access to safe water. This brings into focus the urgent need for planned action to manage and rehabilitate water resources effectively and prevent wastages. The Bank focuses on developing to bankability the following projects outlined in Table 3.4

Table 3.4: 2018 Water Projects

Project	Type	Outputs	Project Value (US$ million)	Location
Chiredzi Town Council WASH	Rehabilitation and upgrading of the water and waste water system in the town	15 Mega-litre water plant	7.9	Chiredzi
Victoria Falls WASH	Construction, expansion and rehabilitation of water & sanitation infrastructure and installation of pre-paid water meters for VFM	· Pre-Paid Meters · Rehabilitated Sewer Plant · Water Supply Reservoir	15.7	Victoria Falls
Marondera Municipality (MM) WASH project	Construction, expansion and rehabilitation of water & sanitation infrastructure and installation of pre-paid water meters	· Pre-Paid Meters · Rehabilitated Sewer Plant · Water Supply Reservoir	18.1	Marondera
Redcliff Municipality Water and Waste Water Treatment	Construction, expansion and rehabilitation of water & sanitation infrastructure and installation of pre-paid water meters. Construction of a 3MW solar plant	· Pre-Paid Meters · Rehabilitated Sewer Plant · Water Supply Reservoir · 3MW photovoltaic solar plant	14.4	Redcliff

The Bank's major focus in the sector in 2019 will be the utilisation of current water bodies for irrigation and power generation. In light of the foregoing, the Bank in collaboration with the Ministry of Agriculture, Lands, Water, Climate Change and Rural Resettlement, came up with strategies on how best to tap the water bodies. Plans are underway for the establishment of viable irrigation schemes on seven (7) dams currently under construction;

- Marovanyati Dam,
- Causeway Dam,
- Gwayi-Shangani Dam,
- Semwa Dam,
- Tuli-Manyange Dam,
- Bindura Dam and
- Chivhu Dam.

The Bank will also collaborate with Marondera and Redcliff Municipalities to upgrade the water treatment plants and conveyance systems in the two towns to improve water supply and standards of living of residents.

Transport: Improved transport infrastructure adds speed and efficiency to a country's social and economic progress. Good physical connectivity in both urban and rural areas is a prerequisite for sustainable and equitable growth. An efficient transport system lowers transaction costs and improves competitiveness and access to global markets. The Bank endeavours to develop an environmentally and socially inclusive transport system. In 2019 the Bank targets the development of the following high priority national projects as highlighted in Table 3.5;

Table 3.5: Bank's Transport Sector Projects for 2019

Project	Type	Bank's Role	Project Value (US$ million)
Beitbridge-Harare-Chirundu Road Upgrading and Dualisation	Road Construction	Advisory and Resource Mobilisation	2 700
Beitbridge Border Post Modernisation	Border Post Upgrading	Advisory	271
Runde River Bridge and Link Road	Road and Bridge Construction	Advisory	7.2
Harare-Chitungwiza Rail Link	Railway Line Construction	Advisory	TBA

On the Harare-Beitbridge Dualisation Project, the Bank will continue to offer transaction advisory services and mobilise part of the funding for road construction. The Bank, working with other stakeholders, will ensure the successful implementation of the Beitbridge Border Post Modernisation Project. In 2019 the Bank plans to procure a Consultant to undertake feasibility studies on the Harare-Chitungwiza Rail Link.

Housing: Provision of decent housing contributes to the improvement in the living standards of the population. The Bank contributes to the development of the housing sector through the servicing of stands, financing of supporting off-site infrastructure on behalf of Local Authorities, advisory services and the construction of accommodation facilities for tertiary students as well as health and academic professionals.

In addition to the above projects, the Bank will continue to render transaction advisory services to the Ministry of Primary and Secondary Education on the Schools Development Project. The Schools Development Project will see the Government constructing 2056 new schools throughout the country.

The following projects will be under development and some will be implemented between 2019- 2021 as indicated in Table 3.6.

Table 3.6: Housing Projects Under Development in 2019

Project Name	Type	Project Cost US$ million	Locations
Chinhoyi University of Technology-Accommodation	Construction of Halls of Residence for students on campus	13	Chinhoyi
Catholic University in Zimbabwe	Construction of Halls of Residence for students on campus	9.5	Harare
Harare Public Ablution Facilities Project (Rehabilitation and Construction)	Rehabilitation of existing and construction of new public ablution blocks	1.3	Harare
Chinhoyi University of Technology-Learning Facilities	Construction of teaching and learning facilities within the main campus.	5.4	Chinhoyi
Women's University in Africa (WUA)	Construction of Halls of Residence for students on campus	12.6	Harare
Gwanda Spitzkop	Development of residential stands	6.8	Gwanda
Gweru CBD Expansion	Development of commercial stands	3.5	Gweru
Willsgrove Park	Development of residential stands	2.4	Bulawayo
Mkoba 21	Development of residential stands	2.7	Gweru
Plumtree Low Density	Development of residential stands	2.2	Plumtree

Information Communication Technology (ICT): Technological development is essential for modern economic growth. During recent decades increased innovations in ICTs have been the primary drivers of economic processes such as production and trade (World Bank, 2017a).
Great strides have been made in the uptake and use of Information Communication Technologies in Zimbabwe, as evidenced by the high active mobile penetration rates of 92% and internet penetration, which stood at 55.4% in 2018 (POTRAZ, 2018). As the country positions itself for regional integration and therefore enlarged markets, ICT infrastructure will be key in unlocking the benefits to be realised from such integration.

The Bank will continue to work with other stakeholders to open up communication channels, adopt technology in key economic sectors and enhance the value in the local economy.

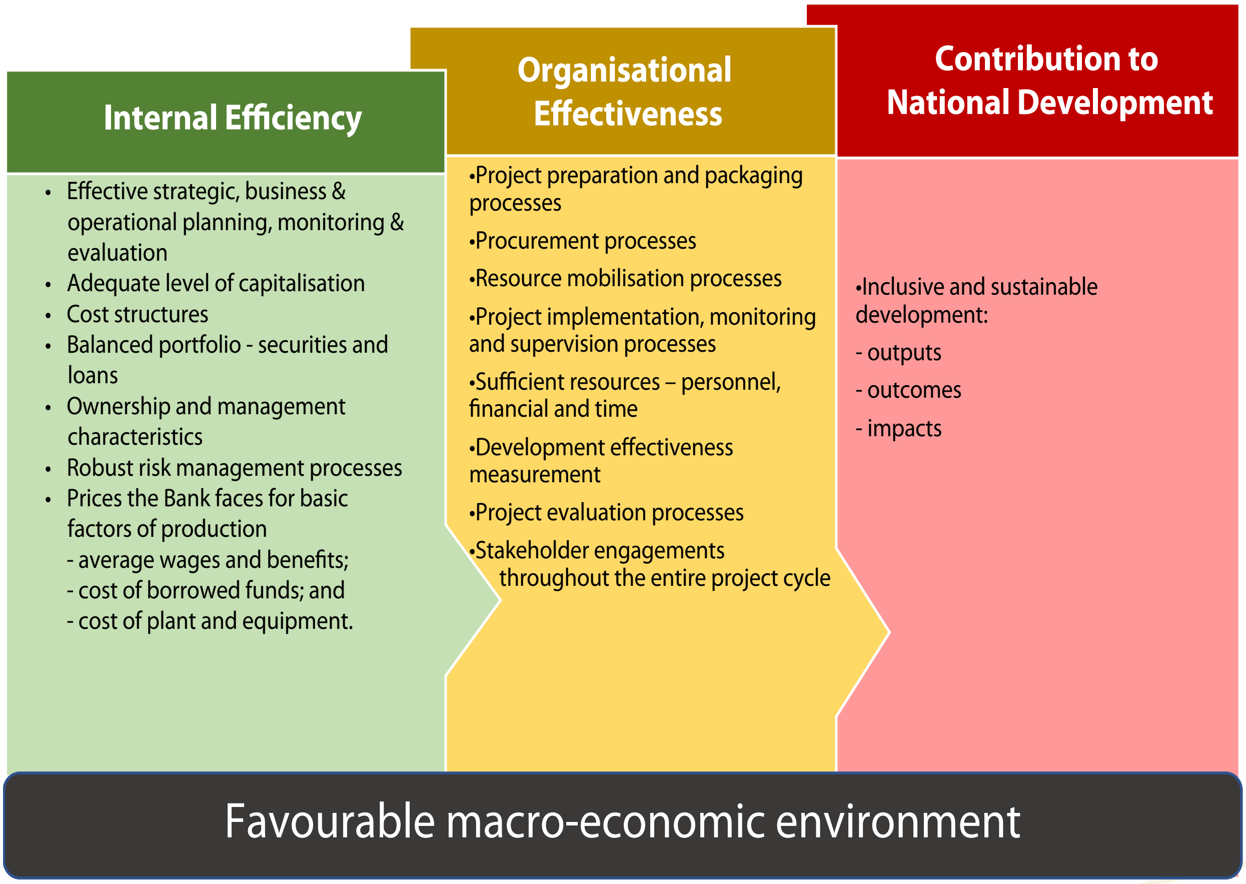
3.7 Operational Efficiency

The Bank continues to consolidate its operational efficiency. During the period under review, the Bank finalised the drafting of the Policies, Operations Guidelines and Manuals (POGM) document which contains all operational policies and procedures. In addition to the POGM document, the Bank reviewed and developed other supporting policies and manuals. The document is expected to be approved during the first half of 2019. The Bank also managed to document and enforce all its process flows in 2018.

The Bank developed and/ or enhanced the following policies in 2018: ESS; Gender; Information Disclosure; Financing; Independent Evaluation; and Human Resources.

In 2019, the Bank will continue strengthening its operating and governance systems. Measures will be taken by the Bank to ensure effective implementation and continuous review of its Policies, Operations Guidelines and Manuals (POGM). The Bank is developing a Delegation of Authority Matrix to ensure role clarity and accountability. Considerations are being made to establish regional offices across the country in response to the forecasted expanded scope of operations. The Bank is planning to establish a regional office in Masvingo Province in 2019. Figure 3.2 demonstrates how the Bank leverages internal efficiencies to create organisational effectiveness and ultimately contribute to national development.

Figure 3.2: Organisational Effectiveness and Efficiency



In 2018, the Bank implemented several ICT projects that included upgrades to its payments systems in line with requirements of the RBZ, Zimbabwe Revenue Authority (ZIMRA) and industry standards. The Bank also implemented technologies that improve office automation and collaboration with stakeholders. Similarly, the Bank continues to upgrade its ICT infrastructure. In this regard, the Bank invested in several technologies that increase system availability and enhance its security posture.

CHAPTER 4: BANK OPERATIONS

4.1 Overview

The Bank is utilising alternative funding instruments to address risk-return concerns of investors in an unstable macro-environment. Bulawayo Student Accommodation Complex (BSAC) Project, is being funded through Participating Preference Shares which were placed with institutional investors. The BSAC Project is structured as a joint venture partnership between the Bank and three institutional investors and will be used as a model for future student accommodation projects across the country.

The Bank has continued to deepen its relationship with institutional investors, which is key for continued support on future fundraising initiatives. The Bank also maintained its credibility as an issuer of instruments through continued performance of its energy and housing bonds in terms of meeting repayment obligations.

4.2 Infrastructure Focus Sectors

In 2018, the Government increased its budgetary allocations towards the PSIP funded projects and as a result the Bank's implementation monitoring activity increased. Project preparation work progressed in 2018, with projects worth $339 million in the Bank Project Pipeline across focus sectors.

4.3 Energy

In prior years, the Bank raised US$50 million as part of the required funding for the Kariba South Power Station (KSPS) refurbishment and extension project. The KSPS' second generating unit was completed and commissioned in 2018 adding 150 MW to the national grid. Feasibility studies for Orsborne mini hydro were completed and Odzani mini hydro pre-feasibility studies were completed.

4.4 Transport

In the transport sector, the Bank continued to play its advisory role on the Beitbridge-Chirundu Highway and Beitbridge Border Post upgrade projects. However, in 2018, the Government cancelled the Concession Agreement with the Contractor leading to delays in project implementation. On the Border Post Upgrade project, the Bank was part of the technical team that successfully procured the investor for the project.

4.5 Water & Sanitation

During 2018, the Bank identified water, sanitation and hygiene (WASH) projects for the following local authorities: Marondera Town Council, Chiredzi Town Council and Redcliff Municipality. Project preparation for these began in 2018.

4.6 Information and Communication Technologies (ICT)

In recognition of the potential of the ICT Sector, the Bank remained open to investments in the sector in order to leverage technology to accelerate economic growth. The Bank in consultation with various Government agencies and institutions assessed investments that aim to broaden the country's backbone ICT infrastructure.

4.7 Housing

The Bank commenced civil works for the Bulawayo Student Accommodation Project (BSAC), Empumalanga West Housing Project (EWHP) and the Kariba Housing Development Project (KHDP) in 2018. These projects are expected to be completed in 2019. The EWHP and KHDP are expected to significantly reduce the housing backlog for the strategic towns whose economic activities are mainly premised on tourism and energy generation.

In developing the housing projects (EWHP and KHDP), the Bank seeks to unlock investments in the Tourism and Energy Sectors. Lessons learnt from the BSAC shall be applied to other tertiary institutions targeted under the University Students and Staff Accommodation Program (USSAP) in resolving the critical accommodation challenges faced by tertiary university students. During the year under review the Bank was working towards obtaining the outstanding statutory approvals for the Sumben Housing Project.

During the year under review, the Bank was engaged by the Ministry of Health and Child Care (MoHCC) for the development of accommodation units for health sector professionals. The intervention is expected to improve staff retention levels for the sector in line with Government's efforts to improve employment conditions. The Bank secured properties in Harare, Bulawayo, Lupane and Zvishavane earmarked for the development of the accommodation units. In addition, pre-feasibility studies for the development of on-site accommodation facilities at health institutions across the country's ten (10) provinces commenced in 2018.

4.8 Project Implementation Monitoring of Public Sector Investment Programme

The Bank continues to manage Public Sector Investment Programme (PSIP) funds in line with the Agency Agreement with Government. Projects funded under the PSIP cut across key sectors of the economy including transport, water & sanitation, housing, irrigation and institutional accommodation.

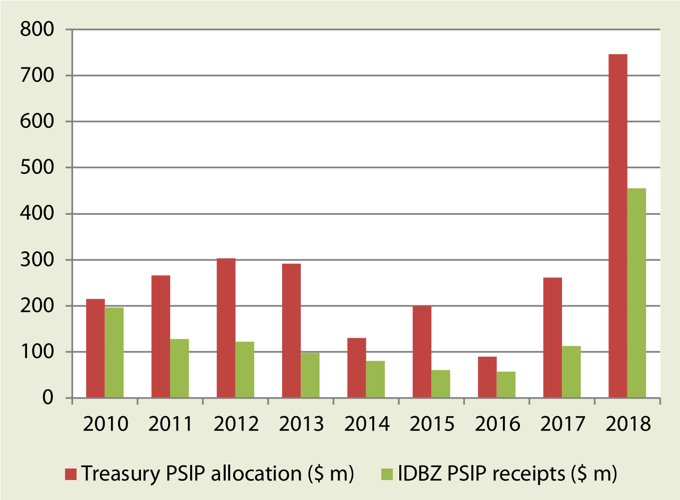
In the year 2018, the PSIP funds channelled through the Bank increased by 300% to $455.5 million from the previous year (*see table 2.3*).

Table 4.1: Treasury PSIP Allocations

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Allocations ($ m)	215.5	265.8	302.8	291.2	130.4	200.4	89.6	260.9	746.1
Allocation to IDBZ ($ m)	196.6	128.0	122.1	98.2	80.9	61.0	57.0	113.0	455.5

Figure 4.1 shows the PSIP yearly funds allocation against IDBZ receipts.

Fig 4.1. IDBZ PSIP receipts of allocation



About US$191.9 million was disbursed to various projects in the key sectors of the economy leaving an undisbursed balance of US$302.5 million. A significant portion of the funds was allocated to road rehabilitation and development, and dam construction. Table 4.2 shows 2018 receipts and expenditures across the key sectors.

Table 4.2: PSIP Fund Utilisation, 2018.

Project categories	2018 PSIP cumulative receipts	% age Allocation	2018 PSIP cumulative disbursements	Utilisation % age	Balance carried forward to 2019
Balance brought forward (from 2017)					38 875 089.18
Water projects	104 102 558.00	22.9%	98 876 477.24	95%	5 226 080.76
Roads projects	285 950 000.00	62.8%	77 893 652.82	27%	208 056 347.18
Irrigation projects	24 044 000.00	5.3%	3 206 054.82	13%	20 837 945.18
Health projects*	22 650 000.00	5.0%	-	0%	22 650 000.00
Other projects	18 706 591.54	4.1%	11 881 128.07	64%	6 825 463.47
Total	**455 453 149.54**	**100%**	**191 857 312.95**		**302 470 925.77**

Some of the projects in other sectors were not ready for implementation with outstanding designs and procurement processes. Disbursements for the irrigation sector were affected by shortages of foreign currency to procure imported components.

Table 4.3 below summarises outstanding payments as at December 2018 by sector.

Table 4.3: Outstanding PSIP Payments

Project categories	2018 PSIP cumulative outstanding payments (US$)		
Water projects	-	-	69 440 024.85
Transport projects	DOR projects	682 588.50	2 319 521.02
	JMN Airport	1 024 756.84	
	RGM Int Airport	612 175.68	
Irrigation projects	-	-	0.00
Health projects	-	-	0.00
Other projects	-	-	3 698 223.97
Total	**-**	**-**	**75 457 769.84**

Thin spreading of limited resources across many dam projects has contributed to the growing outstanding payments in some sectors. There is need for prioritising on a manageable number of projects per year. There should be consideration for flexibility in the utilisation of funds within the same sector to allow resources to be moved across projects.

4.9 Completed Projects and Expected Development Outcomes

Table 4.4 shows projects that were completed in 2018 and the expected development outcomes:

Table 4.4: Completed Projects and Expected Development Outcomes

Project	Development Outcome
Various roads & bridges	Improved trafficable road network for local and regional trade and economic development, efficient movement of goods and people.
Nyanga District registry	Decentralisation of the Registrar General services for the benefit of Nyanga District residents.
Marovanyati Dam	Improved potable water supply to the growing population at Murambinda Growth point, potential irrigation scheme establishments for improved food security and eradication of water borne diseases.
Nemamwa housing development	222 serviced medium density residential stands delivered in Masvingo. Serviced with well trafficable gravel roads, stormwater drainage and potable clean water. Decent and well-planned settlements/ housing for the community.
Parklands Mews in Bulawayo	110 serviced low-density residential stands delivered in Parklands Mews suburb, Bulawayo with well trafficable surfaced roads, stormwater drainage and potable clean water. Decent and well-planned housing scheme for the community.

The implementation of projects was not spared from the general economy wide challenges that include:

- Lack of preparedness for implementation;
- Delays in conclusion of procurement processes;
- Three tier pricing;
- Inflation;
- Foreign currency shortages;

- Spreading resources too thinly among projects; and
- Not following the Government Investment Appraisal Process.

The Bank has learnt the following lessons from PSIP fund management;

- **Stakeholder engagement** remains paramount in infrastructure investments to allow for full appreciation and participation by the targeted beneficiaries to ensure ownership and long term sustainability;
- **Need for adequate project preparation and planning lead times** by Government and Implementing Agents;
- **Support of contractors** by Government in the retooling of plant and equipment;
- **Need for pre-purchase of critical materials;**
- **Prioritisation of high impact projects** that can be funded and implemented to completion and enable the nation to immediately realise the full benefits; and
- **Need for Environmental and Social Impact Assessment (ESIA) plan** with a clear action plan for dealing with project affected people (PAP).

4.10 Infrastructure Value Chain Financing (IVCF)

The loan book size closed the year at $18.5m with growth attributed to the IVCF facility launched in July 2018. The overall objective of this product is to promote infrastructure development in Zimbabwe by enhancing the capacity of key players in the value chain to improve their effectiveness and efficiency in their operations. Facilities of $6.7million approved under the IVCF during the year under review were in the transport and water & sanitation sectors. The difficult operating environment was characterised by the absence of lines of credit to avail the much-needed foreign currency required to enable businesses to retool. This slowed the growth of the loan book which is expected to grow to $29 million in 2019 as the Bank intensifies business development efforts in all Bank focus sectors. Overall, the loan book, incorporating the IVCF and housing projects, is projected to grow to $51 million in 2019.

4.11. Resource Mobilisation

The Bank raised $10.3 million for three housing projects in Hwange (EWHP), Kariba (KHDP) and Harare (Sumben). Since 2012, the Bank has raised a cumulative amount of $127.3 million through infrastructure development bonds.

The Bank is increasingly looking at utilising PPP and other alternative funding models to address the risk-return concerns of investors with the Bulawayo Student Accommodation Complex (BSAC) project, which is now under implementation, being funded through Participating Preference Shares which were placed with institutional investors. This funding model will be replicated on future student accommodation projects.

The Bank has continued to deepen its relationship with institutional investors, which is key for continued support on future fundraising initiatives. The Bank also maintained its credibility as an issuer of financial instruments through continued performance of its energy and housing bonds, meeting repayment obligations on time.

4.12 Procurement and Fiduciary Services

The Infrastructure Development Bank of Zimbabwe (IDBZ) is a "Class A" Procuring Entity in line with Section 10(5) of the Public Procurement and Disposal of Public Assets Act [Chapter 22:23] (PPDPA Act) as read with the Second Schedule to the Regulations (S.I. 5 of 2018). The procurement activities of the Bank are thus regulated by the Procurement Regulatory Authority of Zimbabwe (PRAZ). The Public Procurement and Disposal of Public Assets Act [Chapter 22:23] (PPDPA Act) and Public Procurement and Disposal of Public Assets (General) Regulations (SI 5 of 2018) came into effect on 1 January 2018.

Major procurement activities in 2018 were for the BSAC, KHDP and the EWHP as shown in Table 4.5.

Table 4.5: Major Procurement Activities in 2018

S/N	Project Name	Description of Procurement Requirement in 2018
1	Bulawayo Students Accommodation complex	Consulting Services for Resident Engineer
2	Empumalanga Water and Wastewater project, Hwange	i. Consulting Services for EIA ii. Works (Roads and Stormwater Drainage)
3	Subdivision B of Stand 11 of Lot C of Borrowdale Estate	Consulting services for engineering designs (procurement process still on-going)
4	Stands 19267 - 19269 Marvel Township, Killarney in Bulawayo	Consulting services for engineering designs (procurement process still on-going)
5	Zvishavane	Consulting services for engineering designs (procurement process still on-going)
6	Lupane	Consulting services for engineering designs (procurement process still on-going)

The Bank faced bottlenecks in the procurement of goods, works and services due to the need to comply with the procurement legislative framework. It is the Bank's view that there is need to improve efficiency through review of the procurement legislative framework so that it is in tandem with the ease of doing business reforms.

4.13 Development Effectiveness

The Bank has made significant progress in the promotion of infrastructure development in 2018: $10.34 million was raised for housing projects, Joint Venture for the Bulawayo Student Accommodation Complex Project was consummated, 4 strategic partnerships were entered into, and the Bank's infrastructure value chain book reached $18.5 million. Figure 4.2 shows significant progress achieved by the Bank in housing, energy, water & sanitation, and transport. The Bank, as a learning organisation, continues to participate in initiatives that promote knowledge generation and sharing for the achievement of national development goals.

Fig. 4.2 Development Effectiveness, 2018 Annual Report

Inputs / Activities

Resource Mobilisation
- Robust pipeline of Bankable projects
- Adequately capitalized Bank
- Fostering Strategic Partnerships
- Active Participation in the Capital Markets through debt and equity Instruments
- Public Private Partnerships
- Green Financing Initiatives

Infrastructure Project Development & Management
- Project Identification
- Project Preparation
- Project Appraisal
- Project Monitoring and Implementation
- Post Implementation Evaluation

Knowledge Generation & Sharing
- Capacity Building
- Business Intelligence
- Project Completion Reports
- IDBZ Data Platform and Website Updates
- Sharing knowledge at national and international platforms

Outputs

Infrastructure Financing
- $10.34 million raised for housing projects
- JV for the Bulawayo Student Accommodation Complex Project
- 4 strategic partnerships entered into
- $18.5 Infrastructure value chain financing book

Projects Development & Management
- PSIP projects under management-$206 million
- Projects where implementation commenced:
  - Empungalanga West Housing-80%
  - Kariba Housing Development-93%
  - Bulawayo Student Accommodation Complex-80%
- Transaction advisory services offered:
  - Beitbridge - Harare - Chirundu Road Dualisatlon & Rehabilitatlon Project
  - Ministry of Primary & Secondary Education Schools Development Project

Knowledge Generation Activities
- One (1) draft research paper on blending of public and private finances for infrastructure development
- Presentations at policy workshops and infrastructure fora
- Partnered SADC DFRC in performance management and risk and investment appraisal trainings

Outcomes

Housing
- **Parklands housing project In Bulawayo** - decent accommodation through 110 serviced low density residential stands delivered in Parklands Mews suburb, Bulawayo.
- **Nemamwa housing project** - decent accommodation through 222 serviced Medium density residential stands delivered in Masvingo.
- **Nyanga District Registry project** - Decentralisation of the Registrar General services.

Transport
- **Tugwi-Mukosi access road** - provides a link between Ngundu-Tanganda Road and Tugwi-Mukosi Dam.
- **Harare-Mutare road dualisation; Goromonzi Turnoff to Melfort Tollgate; and Bindura Shamva Road** - improved trafficable road network for local and regional trade and economic development, efficient movement of goods and people.

Energy
- **Kariba South Power Station 2nd Power Generation unit** - additional 150 MW resulting in 97 500 households as potential beneficiaries.

Water & Sanitation
- Marovanyati Dam- Improved potable water supply to the growing population at Murambinda Growth point, potential irrigation schemes establishments for improved food security and eradication of water borne diseases.

Knowledge Generation & Sharing Efforts •
- Increased appreciation of the intricacies of infrastructure development

CHAPTER 5: INSTITUTIONAL REFORMS

5.1 Organisational Restructuring and Related Changes

5.1.1 Reconfiguring Bank Structure: To support institutional efficiency the Bank reconfigured the Resource Mobilisation and Climate Finance Unit (RMCF) into a Department headed by a Director. The Infrastructure Projects Division Bulawayo Regional Office (IPDR) and the Procurement Secretariat (CEPS) function upgraded to fully fledged Divisions led by managers. Subsequently, RMCF and IPDR were resourced with the appropriate skills in order to enhance the Bank's capacity to meet the Green Climate Fund (GCF) management requirements. The Bank is set to implement a retooling exercise with the aim diversifying and deepening the skills base.

5.1.2 Recruitment of Critical Skills*:* For the period under review, the Bank added 23 new staff members to strengthen critical skills in the Bank. In line with the Bank`s national capacity building initiative, the Bank recruited a total of 15 Graduate Trainees in various functions. These graduate trainees are expected to add to the infrastructure financing skill set in the nation.

5.1.3 Corporate Wellness*:* The Bank successfully implemented 4 Corporate Wellness Programmes in 2018 to ensure a safe working environment by promoting awareness of health and safety issues at all times.

5.1.4 Training and Development: In an endeavour to ensure adequacy of skills and competencies to support the Medium-Term Strategy, the Bank prioritised staff development focusing on climate finance and sustainability, procurement and fiduciary services, environmental and social sustainability, gender, and leadership development. Going forward, the Bank also plans implementing exchange programmes with other DFIs.

5.1.5 Human Resources Policies and Procedures: The Bank completed the development and review of the Human Resources Policies in 2018. The Bank plans to finalise the Human Resources Procedure manual to support the implementation of the policies.

5.1.6 Salary Alignment to the Banks Approved Salary Structure*:* The IDBZ Board approved Managements` recommendation to align staff salaries to the Bank's approved salary structure.

5.1.7 Suspension of Staff Benefits: In December 2018 the IDBZ Board approved the reinstatement of staff benefits that were suspended in 2015 for Managerial Level (ML) and Professional Level (PL) staff. This enabled the Bank to build and retain critical staff.

5.1.8 Bank's Career Development Plan: In an endeavour to identify and groom future leaders, the Bank carried out an exercise to determine the strategic readiness cover ratio. This is part of the Bank's Career Development Plan approved by the Board in 2018.

5.1.9 Gender balance*:* The ratio of staff who are women in the Bank improved from 23% in 2016 to 31% in 2018. The Bank is making significant strides towards improving the ratio of female to male staff members. As at December 2018, the distribution of staff by Gender and employee category is shown in Table 5.1:

Table 5.1: Bank Employee by Gender and Category of Employment, December 2018

Level	Male	Female	Total
Managerial Level (ML)	26	2	28
Professional Level (PL)	45	21	66
Corporate Support Level (CS)	10	13	23
TOTAL	**81**	**36**	**117**

5.2 Stakeholder Engagement

In 2018, the Bank became more visible through the use of social media platforms. Through these platforms, the Bank has established a credible online presence that it is leveraging for enhanced stakeholder engagement across geographical boundaries. Social media platforms to be added include Instagram, LinkedIn and WhatsApp.

The Bank, seeks to continuously engage with its stakeholders. It successfully held a ground-breaking ceremony of the Kariba Housing Project stands and also participated at the Zimbabwe International Trade Fair (ZITF). The Bank also attended the infrastructure development related indabas and National Symposiums. The year 2018 ended on a high note with the hosting of a stakeholder engagement workshop on the Tugwi-Mukosi Irrigation Feasibility Study.

The Bank's Corporate Social Responsibility (CSR) activities are aimed at enhancing capacity in the infrastructure value chain by targeting activities that promote environmental sustainability, gender equality and poverty alleviation. The Bank rendered support to curb the spread of cholera through rehabilitation of sewer pipes in Glenview.

Glenview sewer pipes rehabilitation

CHAPTER 6: BOARD FIDUCIARY DUTIES

Corporate Governance Framework and Charter and Code of Ethics

6.1 Introduction

The Infrastructure Development Bank of Zimbabwe (the Bank) is a development finance institution charged with a mandate to champion infrastructure development and financing, primarily focusing on the key economic development enablers including but not limited to roads, dams, water reticulation, housing, sewerage, technology, amenities and utilities.

In the execution of its statutory mandate, the Bank ensures that all tenets of good corporate governance are embedded in all business processes that are involved in ensuring effective and efficient product and service delivery that meet stakeholder expectations. Critical to ensuring that good corporate governance pervades all aspects of the Bank's operations is the compelling need to comply with legal and regulatory requirements and conform to international best practice, governance standards and guidelines.

Corporate governance in IDBZ is anchored on the principles of fairness, transparency, accountability, social responsibility and strict compliance with applicable statutes and regulations. These governance principles are the foundation upon which the Bank strives to build a profitable, socially responsible, economically viable and environmentally sustainable business that serves the interest of all stakeholders.

6.2 Governance Framework

The IDBZ was established in 2005 as a successor organisation to the Zimbabwe Development Bank (ZDB) and is governed in terms of an Act of Parliament, the Infrastructure Development Bank of Zimbabwe Act *[Chapter 24:14]* (the IDBZ Act). The Bank is regulated by the Minister of Finance and Economic Development. This role is shared with the Reserve Bank of Zimbabwe through the Finance Act Number 3 of 2014 which amended the Banking Act *[Chapter 24:20]*.

Whilst the IDBZ Act has been the anchor in the institutional governance matrix, a superior governance instrument has since been enacted to which the Bank, as a public entity, is required to comply with. The Public Entities Corporate Governance (PECG) Act *[Chapter 10:33]* was promulgated in June 2018 and supersedes any other enactment or governance framework in all public entities and parastatals in Zimbabwe. To the extent that there are inconsistencies between the IDBZ Act and the PECG Act, the latter takes precedence. This implies that the establishment Act must be amended to align them with the new governance framework. The Corporate Governance Unit (CGU) was set up by Government to supervise and monitor implementation of the PECG Act and other regulations.

The Bank also embraces, to the extent possible, the principles of good corporate governance enshrined in other governance standards both locally and internationally, and in particular recognises the various legal and regulatory provisions that state enterprises and parastatals in Zimbabwe are required to abide by as they discharge their statutory mandates. The National Code on Corporate Governance Zimbabwe (ZIMCODE) was given legal status in the PECG Act as the First Schedule.

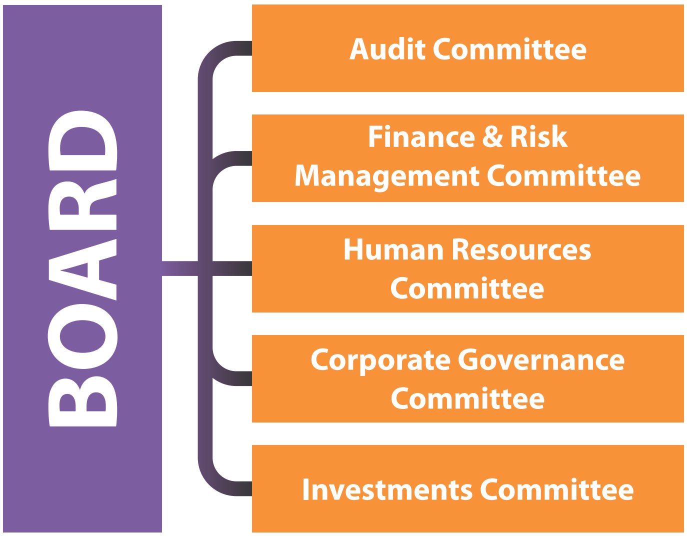
6.3 Corporate Governance Charter

The Bank has in place a Corporate Governance Charter (the Charter) which essentially codifies the various governance standards and instruments that impact on the operations of the Bank into one document which serves as a reference point on corporate governance, compliance, legal and regulatory requirements. The Charter is a consolidation of relevant provisions of the IDBZ Act *[Chapter 24:14]*, Public Entities Corporate Governance Act *[Chapter 10:33]*, the Public Finance Management Act *[Chapter 29:19]*, the Banking Act *[Chapter 24:20]*, the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23]* and the IDBZ Shareholder Regulations. The Charter is a live policy document which is subject to regular reviews in line with changes in the governance, legal and regulatory environment.

6.4 Code of Conduct and Ethical Framework

As a DFI, the Bank has a statutory mandate to champion sustainable infrastructure development through: mobilisation of resources; capacity building; and knowledge generation and sharing in support of national efforts for inclusive socio-economic development. In conducting its business, the Bank has a special responsibility to ensure that all operations and activities are conducted on the highest ethical plane. The Bank endeavours to be at the forefront in promoting ethical business practices and processes that meet international best practice. To that end, IDBZ is constantly reviewing and strengthening policies and procedures that govern staff interactions with Government, suppliers, customers and other stakeholders. The Code of Ethics Policy provides a framework under which Directors, staff and people who interact with the Bank are expected to conduct themselves. The Code is designed to promote honest and ethical conduct. It is founded on the Bank's core values of integrity, professionalism, innovation, service orientation, sustainability, and knowledge generation and sharing.

6.5 IDBZ Governance Structure



6.6 Board of Directors

Section 4 (2) of the IDBZ Act *[Chapter 24:14]*, as amended, provides that the size of the IDBZ Board shall have a minimum of 7 and a maximum of 9 Directors. Up until November 2018, the IDBZ Board of Directors consisted of eight (8) Directors, one of whom is an executive director. Following the enactment of the Public Entities Corporate Governance Act [Chapter 10:33], the following changes were effected on the IDBZ Board of Directors:

- Mr. Willard L Manungo resigned from the Board in compliance with Section 11(5)(ii) of the Public Entities Corporate Governance Act [Chapter10:33].
- Dr. SS Mlambo retired from the Board on health grounds.
- The Minister of Finance and Economic Development nominated Mr. P Kunaka to replace Mr. Manungo on the Board with effect from 1 December 2018.

In line with Section 7 (2), two experts sit on two Board Committees; a Chartered Accountant sits on the Audit Committee and a Human Resources Specialist sits on the Human Resources Committee.

6.7 Duties and Responsibilities of the Board

The duties and responsibilities of the Board are outlined in section 4A of the IDBZ Act *[Chapter 24:14]*.

The Board is responsible for formulating and implementing policies and strategies necessary for the achievement of the Bank's objectives. The Board supervises the overall activities engaged in by the

IDBZ and ensures that the institution and its subsidiaries have adequate control systems to monitor and manage risk, and further that there is efficient and economic use of resources consistent with the principle of "*achieving more with less*".

As an overarching responsibility, Section 4A (e) of the Act requires that the Board formulates and enforces good corporate governance and ethical practices by observance by the IDBZ Directors, Management and Staff. To that end, the Corporate Governance Charter acts as a policy guide to the Board, Management and Staff on matters of corporate governance, legal and regulatory compliance.
To effectively discharge its oversight and stewardship role the Board meets regularly, at least once every quarter.

6.8 Delegation of Authority
For effectiveness and efficiency in the exercise of its functions and oversight role, the Board has constituted Board Committees to which it delegates some of its functions, duties and responsibilities. These powers and functions can also be delegated to the Chief Executive Officer. The Board Committees operate under precise terms of reference that are regularly reviewed to ensure they remain relevant and in sync with the Bank's strategic objectives and the changes in the legal and regulatory environment.

6.9 Bank Secretary
In order to support the Board in exercising its functions and responsibilities, the office of the Bank Secretary serves as the coordinating interface between the Management, the Board, its various Committees and Shareholders of the Bank. The Secretary is available to give advice to the Board and, as custodian of corporate information and records of the Bank, to give reasonable access to relevant information, documents and records regarding the operations of the IDBZ. With appropriate clearance from the Board Chairman, any Board member has a right to seek and obtain, at the Bank's cost, independent expert and/or professional advice on any subject relating to the business operations of the IDBZ.

6.10 Board Remuneration
Whilst the policy of the Bank has been to determine Board remuneration on the basis of market surveys of similar institutions and making appropriate recommendations to the Minister of Finance and Economic Development, a new remuneration framework has since been developed which balance issues of affordability, entity performance and the need to attract the right calibre of Board Members. The Bank will implement the new remuneration framework effective 1 January 2019.

6.11 Board Committees
For the effective discharge of its functions and in order to enhance oversight on the various areas of the Group's operations, the Board constituted and appointed five (5) Committees which operate under clearly defined areas of responsibility and terms of reference.

In the discharge of their respective terms of reference, the Board Committees ensure transparency, full reporting and disclosure of key decisions and recommendation of the Committees to the main Board. Section 7 (2) of the Act empowers the Board to appoint to a Board Committee any person(s) for their skill and/or expertise as professionals to become Committee Members even though such persons or professionals are not themselves Directors of IDBZ. This provision is intended to enhance the effectiveness of Board Committee functions, particularly in areas requiring specialised skill and technical expertise that may not be available on the Board.

6.11.1 Investment Committee
Chaired by a non-executive director, the Board Investment Committee is made up of all members of the Board and the Committee's main functions are to:

- consider and approve applications for financing from the Group's business units within set approval limits;
- determine the form and value of collateral/security to be taken against loan exposures and consider and approve all equity investment proposals or applications; and,
- assess and review from time to time the soundness and appropriateness of the Group's strategy of growing the loan book and the overall business portfolio.

6.11.2 Audit Committee
The Audit Committee is chaired by a non-executive director and is made up of four (4) members, including the Committee Chairman. All members of the Committee are non-executive members. One member is not a Director of the IDBZ and was appointed for his skill and experience in finance and audit; he is a Chartered Accountant by profession. The Committee is responsible for the integrity of the financial statements by ensuring that they are prepared in compliance with the enabling Act and in accordance with applicable International Financial Reporting Standards. The Committee also ensures that the system of internal controls in the Bank and its subsidiaries is effective and adequate for the business of the Bank. In discharging its mandate, the Audit Committee works with the Bank's Internal Audit function.

6.11.3 Corporate Governance & Ethics Committee
The Corporate Governance Committee is at the centre of the Board's emphasis on good corporate governance, standards and practices and also superintends over the ethics framework of the Bank. The Committee ensures fulfilment of Board oversight responsibilities regarding the effectiveness of the Bank's corporate governance structures, policies and practices, as well as the development, promotion and enforcement of an ethical culture in IDBZ.

The Corporate Governance & Ethics Committee comprises five (5) members, including the Committee Chairperson, all of whom are non-executive directors. The Chairperson of the Committee, together with the Board Chairman and the Board Secretary are responsible for managing the Board member self-evaluation process and ensuring its integrity and effectiveness as a governance tool.

6.11.4 Finance and Risk Management Committee
The Finance and Risk Management Committee is charged with the responsibility of overseeing the overall risk management processes, enforcing risk mitigation strategies and procedures in the Bank and keeping the Board fully appraised on the major risk areas within the business operations of IDBZ. The Committee comprises four (4) members, including the Chairperson, of which three (3) are non-executive. The Chief Executive Officer is the only executive member of this Committee.

6.11.5 Human Resources Committee
The Human Resources Committee is chaired by a non-executive director and is made up of five (5) members, inclusive of the Committee Chairman, all of whom, with the exception of the Chief Executive Officer, are non-executive directors. One member is not a director of the IDBZ and was appointed for his skill and experience in human resources management and organisational effectiveness systems.

The Committee is charged with ensuring the prevalence and observance of good labour and employment practices by IDBZ to achieve harmonious industrial relations. In this role, the Committee is responsible for ensuring best practice in human resources management.

6.9 BOARD AND BOARD COMMITTEE ATTENDANCE RECORD FOR 2018

NAME OF DIRECTOR/MEMBER	MAIN BOARD		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		FINANCE & RISK MANAGEMENT COMMITTEE		CORPORATE GOVERNANCE & ETHICS COMMITTEE	
	Total	Number Attended	Total	Number Attended	Total	Number Attended	Total	Number Attended	Total	Number Attended
Manungo WL (Chairman)	**5**	**3**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Sakala TZ	**5**	**3**	**n/a**	**n/a**	**4**	**3**	**4**	**3**	**n/a**	**n/a**
Choga VH	**5**	**4**	**4**	**4**	**n/a**	**n/a**	**n/a**	**n/a**	**4**	**4**
Kudenga N	**5**	**5**	**n/a**	**n/a**	**4**	**4**	**n/a**	**n/a**	**4**	**4**
Mhakayakora J	**5**	**3**	**4**	**1**	**4**	**3**	**4**	**2**	**n/a**	**n/a**
Mlambo SS	**5**	**0**	**4**	**0**	**n/a**	**n/a**	**n/a**	**n/a**	**4**	**0**
Mukahanana-Sangarwe M	**5**	**3**	**n/a**	**n/a**	**4**	**2**	**4**	**4**	**4**	**3**
Tawha CS	**5**	**4**	**1**	**1**	**n/a**	**n/a**	**4**	**3**	**4**	**2**
Kunaka P	**2**	**2**	**1**	**1**	**n/a**	**n/a**	**1**	**1**	**n/a**	**n/a**
Chiromo NHC	**n/a**	**n/a**	**4**	**3**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Jinda E	**n/a**	**n/a**	**n/a**	**n/a**	**4**	**3**	**n/a**	**n/a**	**n/a**	**n/a**

NOTES:

- Messrs NHC Chiromo and E Jinda are not Directors and sit on the Audit Committee and Human Resources Committee, respectively, as independent experts as provided for in Section 7 (2) of the IDBZ Act *[Chapter 24:14]*
- Mr. Manungo resigned from the Board on 12 November 2018.
- Dr SS Mlambo was retired from the Board in November 2018.
- Mr. Kunaka was appointed to the Board on 1 December 2018

CHAPTER 7: RISK MANAGEMENT REPORT

The Board considers risk management as an important pillar for optimisation of the risk-return trade-off. The Bank manages all risk exposures using an approved Enterprise Risk Management (ERM) framework. The ERM framework encompasses a combination of procedures and approaches designed to manage risks due to inadvertent losses associated with financial, strategic and technological domains.

7.1 Risk Spectrum

The Bank is exposed to a wide variety of risks as it executes the mandate. The principal risks which the Bank is exposed to are as follows;

7.2 Credit Risk

The Bank manages credit risk through a combination of parameters which include policy limits, selection process based on quality and continuous monitoring of exposures. The credit management process as guided by the Lending Policy, and Policy on Exposure Limits includes the following;

- A multi – skilled project appraisal team;
- An independent risk assessment process;
- Credit approval committees;
- The Loans and Investment Committee (LIC);
- Board Investment Committee; and
- Monitoring of Bank investment portfolio.

The Board Finance and Risk Committee considers risk reports on a quarterly basis that focus on overall status of the credit portfolio. The report includes risk metrics such as credit concentrations, prudential risk limits, impairments and non-performing loans (NPLs).

7.3 Impairments

The implementation of IFRS9 represents a significant change in the treatment of financial assets in view of the forward-looking nature of provisions set under this Standard. The Bank has made progress towards compliance with this Standard as guided by the regulator.

7.4 Project Risk

Infrastructure projects are continuously monitored through project visits by multi-disciplinary technical teams and the Executive Management Committee (EXCO) periodically reviews. The Bank has also developed a project at risk framework covering aspects of project funding.

7.5 Liquidity Risk

Liquidity risk is managed through the Asset and Liability Management Policy. The Policy provides oversight and guidance on all matters related to liquidity exposures. The Bank's strategy on management of liquidity risk is centred on having a wide array of funding sources to complement the core deposit base.

7.6 Market Risk

Market risk is managed through the Management Asset and Liability Committee (MALCO). The Board Finance and Risk Committee meets quarterly to consider the reports from Bank Management covering market risk under the ERM Framework.

7.7 Operational Risk

The Bank adopted a methodology of quantifying, tracking and reporting operational risk issues through risk registers. The Bank is working on upgrading the Governance Risk and Compliance (GRC) software to enhance management of operational risks.

7.8 Strategy Risk

The Board is responsible for approval and application of the Bank's strategic risk principles. The Board approves the Bank's strategy whilst management is responsible for implementation and ensuring that regular reviews are done in line with changes in the operating environment.

7.9 Reputational Risk

The Bank manages and monitors reputational risk through a multi-pronged approach. In this regard, a complaints management framework was established. The Bank adheres to the principles of integrity, professionalism, innovation, service orientation, sustainability, and knowledge generation and sharing in order to achieve high stakeholder satisfaction.

7.10 Legal & Compliance Risk

The Bank in 2018 embarked on a process to reconfigure the risk management unit by separating risk management and compliance functions in line with regulations. The Bank's focus is to upgrade the existing Governance, Risk and Compliance (GRC) management system to engender efficient and seamless compliance risk management.

7.11 Anti -Money Laundering

The Bank has an Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) framework. This framework put emphasis on customer due diligence and transactions monitoring. The Bank has systems, processes and procedures for managing sanctions risk including the application of two complementary and automated systems; the SWIFT Name Screening and SWIFT Sanctions Screening. Bank staff regularly receive AML/CFT training to ensure awareness of the potential money laundering and terrorist financing risks associated with customers and transactions.

7.12 External Credit Rating

The Bank was rated under the Prudential Standards, Guidelines and Rating System (PSGRS). The framework falls under the purview of Association of African Development Finance Institutions (AADFI) and requires independent validation of the rating by an external auditor. The Bank's 2018 rating for the financial year ended 31 December 2017 was assigned a grade of "A" and validated by external Auditors, Deloitte & Touche. The rating scale evaluates three critical areas; governance, financial and operational standards. The risk assessment ratings are summarised in Table 7.1;

Table 7.1: PSGRS Rating for IDBZ, 2016-2018

PSGRS Standard	Weighted Score per Standard	Deloitte & Touche Validated Rating (2016)	Deloitte & Touche Validated Rating (2017)	Deloitte & Touche Validated Rating (2018)
Governance	40%	35.9%	41.4%	36.4%
Financial	40%	26.0%	21.9%	27.3%
Operational	20%	18.1%	17.2%	18.7%
Overall Score		80.0%	80.5%	82.4%
PSGRS Grade		A	A	A

CHAPTER 8: DIRECTORS' REPORT

8.1 Business of the Infrastructure Development Bank of Zimbabwe (IDBZ)

The Bank focuses on infrastructure development, resource mobilisation, financing and capacitating players in the infrastructure value chain. The Bank also provides advisory services to complement its core mandate.

8.2 General Policy Directions of the Minister

In terms of Section 9A (1) of the IDBZ Act *[Chapter 24:14]*, the Minister of Finance and Economic Development may give the Board general directions regarding the policy it is to observe in the exercise of its functions, and the Board shall take all necessary steps to comply with every such direction.

Section 9A (3) requires the Board to set out in its annual report, the terms of every direction given to it in terms of this provision by the Minister and any views or comments the Board expressed on such direction.

During the year under review the Minister did not issue any policy direction to the Bank.

8.3 Authorised and Issued Share Capital

Ordinary Share Capital

The authorised share capital of the Bank remained at 15,000,000 ordinary shares whilst the issued share capital increased from 4,462,090 ordinary shares in 2017 to 6,528,214 ordinary shares as at 31 December 2018. The increase arose following a Rights Issue conducted during the year which raised a total of $22,872,889. The ordinary shares have a nominal value of $0.01 per each share.

Preference Share Capital

The Preference Shares remained unchanged at 382,830 with a nominal value of $100.00 per share. The non-cumulative, non-redeemable preference shares were issued paid up to Government of Zimbabwe and carry a 5% dividend payable out of distributable profits.

8.3.1 Ordinary Share Capital

During the year under review, the Board of Directors passed a resolution to dissolve the IDBZ Staff Share Trust which held 81 ordinary shares in the Infrastructure Development Bank of Zimbabwe and was a carryover from the predecessor organisation, the Zimbabwe Development Bank. The dissolution of the Trust was in line with the IDBZ Act *[Chapter 24:14]* which does not provide for staff of the Bank to own shares in IDBZ, either individually or through a trust. The value of the 81 shares amounting $897 was applied to defray the cost of the dissolution process.

8.3.2 Preference Share Capital

8.4 Investments

As at the year end, the Group had the following sizeable investments:

Subsidiaries

Waneka Properties (Private) Limited	70%
Manellie Investments (Private) Limited	100%
Norton Medical Investments (Private) Limited	60%

Associates

Africom Continental (Private) Limited	33.21%
Chengetedzai Depository Company Limited	15%
Mosi Oa Tunya Development Company (Private) Limited	20%

Special purpose entities

Mazvel Investment (Private) Limited	51%
Clipsham Views	56%

8.5 Financial Results for the year

The results for the year are fully dealt with in the financial statements forming part of the Annual Report.

8.6 Dividends

The Directors do not recommend a dividend for the year ended 31 December 2018 due to the need to reinvest profits to finance current and new infrastructure projects.

8.7 Corporate Governance and Performance Monitoring System [Chapter 10:33]

The Public Entities Corporate Governance Act (PECG) [Chapter 10:33] became law in June 2018. The new governance framework supersedes all other enactments, including the establishment legislation for all state enterprises and parastatals, on matters of corporate governance. The Bank is committed to complying fully with all provisions of the PECG Act and has established a reporting mechanism to monitor and track compliance with the new Act.

8.9 Going concern

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) applicable to development finance institutions using appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

With a capital base of $204 million as at 31 December 2018, and taking into account the Bank's future business prospects presented by the scope, breadth and width of the IDBZ's mandate, the Directors have a reasonable expectation that the Bank has adequate resources to continue as a going concern in the foreseeable future.

8.10 Subsidiary and Associate Companies

Information regarding the Bank's subsidiary and associate companies as well as special purpose entities is given in the notes to the financial statements.

8.11 Directorate

As a consequence of the promulgation and subsequent implementation of the Public Entities Corporate Governance Act [Chapter 10:33], and in line with Section 11(5)(ii) of that Act the Board Chairperson resigned from the IDBZ Board in November 2018. An acting Chairperson was elected in line with the Minister's directive to ensure continuity on the Board. Furthermore, the Minister seconded an official in the Ministry of Finance and Economic Development to the IDBZ Board to replace the director who resigned.

The Board also retired a Board Member who, through ill health, had not been able to carry out his duties as a Director of the Bank for more than a year.

8.11.1 Directors' Interest in the Bank

During the year, no Director held either directly or indirectly any interest in the share capital of the Bank.

8.11.2 Declaration of Assets

In line with provisions of the Public Entities Corporate Governance Act, all directors of the Bank declared their assets to the Minister of Finance & Economic Development.

8.11.3 Directors' Emoluments

Directors' emoluments are disclosed in the notes to the financial statements.

8.11.4 Interest of Directors and Officers

During the financial year, no contracts were entered into in which Directors or Officers of the IDBZ had an interest which significantly affected the business of the Bank.

The Directors had no interest in any third party or company responsible for managing any of the business activities of the IDBZ.

8.12 Auditors

Shareholders will be asked to approve the remuneration of the Auditors for the year ended 31 December 2018, and to confirm the new Auditors of the Bank.

The Directors' Report is made in accordance with a Resolution of the Board.

J Mhakayakora
Acting Chairman

T. Zondo Sakala
Chief Executive Officer

CHAPTER 9: DIRECTORS' RESPONSIBILITY STATEMENT

9.1 Responsibility Statement for the Financial Statements

The Directors are responsible for the preparation and integrity of the financial statements and other information contained in this Annual Report.

To enable the Directors to meet these responsibilities, systems of accounting and internal controls are maintained that are aimed at providing reasonable assurance that assets are safeguarded and that the risk of error, fraud or loss is controlled in a cost-effective manner. The Bank's Internal Audit function, which has unrestricted access to the Audit Committee, regularly evaluates these systems and makes recommendations for improvements where necessary.

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the Directors are of the opinion that they fairly present the results of operations for the year and the financial position of the company at the year end.

The financial statements have been prepared on the going concern basis and the Board has no reason to believe, based on available information and cash resources, that it is not appropriate.

The responsibility of the independent auditors is to report on the financial statements. Their report to the members is set out on pages 38 and 43 of this report.

The financial statements were approved by the Board of Directors on 20 March 2019 and are signed on its behalf by the Chairman and Chief Executive Officer.

Preparer of Financial Statements

The Financial Statements were prepared under the supervision of C. Gambinga and have been audited in terms of the Infrastructure Development Bank of Zimbabwe Act Chapter (24:14).

C. Gambinga
Director - Finance

J. Mhakayakora
Acting Chairman

T. Zondo Sakala
Chief Executive Officer

CHAPTER 10: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Infrastructure Development Bank of Zimbabwe
Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Infrastructure Development Bank of Zimbabwe and its subsidiaries, joint operation and associates (the Bank or the Group) as set out on pages 44 – 96, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20)

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Public Accountants and Auditors Board (PAAB) Code of Ethics which is consistent 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 financial statements in Zimbabwe.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2.2, 2.3.9, 39 and 42 which discuss the considerations on the changes in functional currency within the economy.

As at 31 December 2018 there were no pronouncements to suggest the changes in functional currency. In October 2018 the central bank through the exchange control directive RT120 of 2018 introduced a separation of bank accounts into Nostro foreign currency account (herein referred as Nostro) and the existing foreign currency accounts for domestic purposes. These Nostro accounts are held with financial institutions operating in Zimbabwe in which money in the form of foreign currency is deposited from offshore or domestic sources. The separation of the preexisting FCA and Nostro account suggest that in substance the values are not equal.

Since the last Monetary Policy Statement on the 1st of October 2018, Zimbabwe witnessed significant changes in the economy, with the economy being characterised by a highly inflationary environment. Whereas the official position from Government was that the Bond note and RTGS balances had a value of 1:1 to the United States of America Dollar, the foreign exchange premiums on the parallel market ranged between 1.40 to 4.0 during the reporting period. The movement in foreign exchange premiums has had negative pass-through effects on inflation which increased from September year-on-year level of 5.4% to 20.9% in October 2018 and closed the year at 42.09% in December 2018. Furthermore, on 22 February 2019, the Government of Zimbabwe through Statutory instrument 33 of 2019 introduced the RTGS dollar as a base currency as part of its 2019 first quarter monetary policy.

The current year figures have not been modified to incorporate these developments and therefore our opinion is not modified in respect of this matter

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters below relate to the audit of the financial statements.

Key audit matter	How our audit addressed the key audit matter
1. **Implementation of new standards and interpretations effective 1 January 2018**	
A number of new standards and amendments to standards were effective for annual periods beginning after 1 January 2018, of significant impact to the reporting framework of the Entity was; - IFRS 15, 'Revenues from Contracts with Customers'; and - IFRS 9, 'Financial Instruments' Managements review indicated that IFRS 15 - *Revenues from Contracts with Customers* would not have a material impact on the timing of recognition of measurement of revenues. Managements review of IFRS 9 – *Financial Instruments* concluded that the Entity was required to apply this standard initially on the effective date. This new standard required the Entity to revise its accounting processes and internal controls related to reporting financial instruments particularly impairment of loans and advances to customers. This standard was replacing the previous 'incurred loss' model in IAS 39 on impairment of financial assets for recording the underlying expected credit losses on loans and advances to customers. In determining the impairment allowance, the following assumptions were considered by management; • Forward looking anticipated losses on default based on historic loss experience, identification of accounts that exhibit indicators of impairment and the credit quality of the respective accounts, from the date the credit was granted to implementation date, based on the review of the past payment history; and • Expected shortfalls between the present value of discounted future expected cash flows, and the carrying value of the receivables balance. As disclosed in Note 2.33, the determination of the expected credit losses on trade accounts receivable is highly judgmental due to the subjectivity of the assumptions and estimates applied by management. This is a significant area which impacts the financial and operating reporting across the Entity. Due to the qualitative magnitude of this new standards implementation and pervasive risks involved in migrating to a new impairment framework this has been noted as a key audit matter.	Our procedures were focused on assessing the accurate interpretation and implementation of the new standards' guidelines by management together with the correct migration from IAS 39 to IFRS 9 on financial reporting as such this has been addressed by performing the following procedures: • Discussions were held with management to understand their interpretation, the revised processes, related controls and control activities based on the new impairment framework as well as the detailed implementation plan; • Evaluated the design and implementation of controls in this area; • Gained an understanding of, and assessed the work performed by the IFRS 9 on the implementation strategy and management's implementation controls; • Re-computing the impairment allowance based on the entity model and considering specific behavioral circumstances unique to some customers; • Obtained an understanding of the changes to significant Entity processes and key internal controls as well as IT general controls and the extent to which these have been amended; • Our IT specialists were engaged to assess the work performed by management in modelling the impairment frameworks through sufficient data analytics as well as the results of the testing performed to identify risks and additional work to perform; and • Assessed and challenged the appropriateness of management's key assumptions used in determining the impairment of selected trade accounts receivable; This involved: (a) Assessment of the potential impact of discounting cash flows for past due receivables; and (b) Performance of sensitivity analyses in relation to the key assumptions in order to assess the potential for management bias. Based on the procedures performed above the implementation of new standards and interpretations effective during the current financial year has not resulted in material misstatement on the financial statements.

Key audit matter	How our audit addressed the key audit matter
2. **Valuation of Investment Property**	
The valuation of investment properties is of a subjective nature to due the use of judgement, estimates and assumptions in determining fair values. These judgements have a higher estimation uncertainty as a result of the absence of an active property market due to the current liquidity constraints in Zimbabwe hence making comparability of property values subjective. Management engaged an external valuation expert to determine the fair value of its investment property portfolio. As disclosed in Note 14, the Group places reliance on principally two methods; the Comparison approach and the Discounted Cash Flow (DCF) approach. In the Comparison approach valuation entails using evidence of past sales of comparable properties, held under similar interest which are analysed on the basis of yield, rental return, voids and arrears. The obtained comparative statistics are then applied to the subject property being valued with adjustments made to cater for property specific peculiarities. The Discounted Cash Flow (DCF) involves projecting rental income streams from the property into the future for a designated period which equates to the holding period of the asset. The future cash flows are then discounted to present day (valuation date) at an appropriate discount rate such as the cost of money, mortgage rate or yields of alternative but similar long term investments such as bonds to give a 'net present value'. This method has the merit of calculating all cash flows on a common time basis. The rent was projected forward for a period of 10 years and then discounted to present value using average of mortgage rates and corporate bonds in the market. As a result of the complex nature and behaviour of variables used to determine the fair value of the investment property within these two approaches, this was considered to be a key audit matter. The Group's policy on accounting for investment properties is disclosed in Note 2.17 Refer to Note 14 to the financial statements on the disclosure of investment properties.	We obtained assistance from our Baker Tilly Advisory services valuation experts in performing our audit procedures in this area, which included: • Evaluating whether the method of measurement used is appropriate in the circumstances and whether it is in line with acceptable industry practice. • Evaluating whether the models used to develop the estimates are appropriate. • Evaluating whether assumptions used by management are reasonable given the measurement requirements of International Financial Reporting Standards (IFRS). • Evaluating whether data on which the estimates are based is accurate, complete and relevant by performing recalculations and inspecting source documents. • Evaluating the values derived by comparing with other comparable properties within the market and economic information. • Testing the accuracy of values derived through recalculations and inspecting the underlying source. We found the completeness, valuation and existence of investment properties to be appropriate.
3. **Related party transactions**	
The Group executes its mandate through Special Purpose Entities with whom it interacts in a transactional manner during the financial period. Each related party operates within a defined mandate and applies its own pricing and/or cost model to meet the objectives of its establishment. Due to the significance of transactions with such related entities, related party transactions have been identified as a key audit matter. Refer to Notes 2.7 and 38 to the financial statements on the accounting policies and disclosure of related party transactions.	We performed the following; • We tested controls over the recognition, recording and approval of related party transactions. • We compared the listing of prior year related parties with current year related parties. • We inquired of the Directors and management of the existence of new related parties. We reviewed declarations of interest by those charged with governance to identify related parties to the Group. • We made enquiries of Directors and management to identify other related party relationships, transactions, and balances not previously identified, and remained alert of audit evidence indicative of previously undisclosed related party relationships, transactions and balances. • We confirmed that the governance process in place in approving related party transactions was adhered to by reviewing approvals of related party transactions by the Board of Directors. • We made comparisons of the transactional value of related party transactions with prior year and challenged the economic rationale for any significant changes in related party transactions. • We reviewed the consolidation workings for accuracy and proper elimination of interGroup transactions and balances. • We confirmed that the related party transactions were disclosed appropriately in the financial statements. We found the completeness and disclosure of related parties to be appropriate.

Key audit matter	How our audit addressed the key audit matter
4. Valuation and existence of financial assets (Treasury Bills)	
The Group through its Banking Operation carries a material portion of Treasury Bills on its statement of financial position. • There is inherent complexity in accounting and disclosure requirements of financial assets per IFRS guidance. • The significance of these financial assets on the Group's statement of financial position is high. • The measurement of these Treasury Bills is subjective due to the absence of an active market for trading of Treasury Bills which makes fair value determination and comparability subjective. Due to the complex nature of capitalisation and unwinding of the present value of the treasury bill as time passes towards the maturity value, this has been considered a key audit matter The accounting policy on recognition and measurement of financial assets is disclosed under Note 2.5 of the financial statements.	Our procedures encompassed the following; • Review of Management's recognition and classification criteria relative to the requirements of IFRS and guidance by regulatory bodies. • Review of Management's measurement criteria relative to the requirements of IFRS, particularly on fair value measurement and disclosures. • Recalculated the value of the Treasury Bills in line with Management's measurement principle and assessed that the Treasury Bills were appropriately valued. • We assessed whether the coupon rate used by management is in line with that prevailing for similar Bills issued on the market. • Confirmed existence with the Central Security Depository (CSD), or with other financial institutions where these instruments were lodged as security for any inter-bank positions. • Satisfied ourselves that there were no instances of default, by inspecting the schedule of Treasury Bills maturing during the year and agreeing these to payment confirmation from the contracting party. • We compared the payment date to the maturity date to ensure that matured Treasury Bills were settled on time. • We inspected the schedule of Treasury Bills for any evidence of roll over which could be an indicator of impairment. Based on our procedures, we noted no exceptions and consider Management's valuation of existing Treasury Bills to be appropriate.
5. Revenue recognition (interest income)	
The Bank's various interest income streams are characterised by high volumes of transactional data. The revenue process is highly automated, complex in nature and dynamic thus requiring numerous information technology related checks and balances. Thus, revenue was an area of significance in the current year audit due to the following; • Interest income is a significant component of the Group's financial statements. • The completeness and accuracy of interest income is a key audit focus area due to interest computations which are highly automated. • Involvement of IT specialists in the recalculations of the automated revenue systems. As a result of these amounts, the timing of revenue recognition and volume of transactional data involved, this was considered to be a key audit matter. The revenue recognition policy is disclosed in Note 2.8, and revenue recognised is disclosed in Note 25.1.	In addressing the matter, we; • Performed walk throughs of the interest classes of transactions and evaluated the design and implementation of controls in this area; • Reviewed the contracts with customers on various loan products and related treatments; • Analysed and verified transactional data on a monthly basis; • Engaged our own Data Analytics specialists to independently re-compute the interest using data analytical methods; • Made use of our IT specialists to test key controls over the loan administration systems and the manner in which data is extracted from these systems into the models used to determine revenue recognition; • Performed detailed substantive testing of journal entries processed around interest income to ensure these were appropriately authorised, complete and accurate; • Performed an assessment of the appropriateness of the revenue recognition criteria used by management as per IFRS requirements; and • Confirmed that the related interest enhancing mechanisms, such as loan arrangement fees and establishment fees, were appropriately recognised over the tenure of the facility from which they arose. We found the recognition of interest income to be appropriate.

Key audit matter	How our audit addressed the key audit matter
6. **Impairment of loans and advances to customers**	
Loans and advances, which represent 32.2% of total assets, and the associated impairment provisions are significant in the context of the consolidated financial statements Allowances for loan impairments and other credit risk provisions represent management's estimate of credit losses incurred in loan portfolios at the reporting date. Judgement and knowledge is needed to select the statistical methods used in developing and revising the models used to make these estimates. The estimation of these credit losses is inherently uncertain. In addition, overlays may be applied to model outputs to cater for additional factors and is subject to significant judgement. With the coming in of IFRS 9, the Bank is mandated to recognise an allowance for Expected Credit Losses (ECL) on a financial asset that is measured at amortised cost or fair value. IFRS 9 outlines a 'three-stage' approach ('general approach') for impairment based on changes in credit quality since initial recognition. Both the determination of the ECL and identification of an appropriate stage to classify the loan, and the subsequent valuation of an impairment allowance, requires judgement. The Retail Banking (RB) cluster lends to small and medium-sized businesses and to individuals. RB loans represent FY17% of total loans and advances. The Corporate Banking (CB) cluster lends to corporate, institutional and public sector clients. CB loans represent FY18% of total loans and advances. Advances in CB are typically individually significant, and therefore individually assessed for impairment. Furthermore, impairment of loans and advances is subject to comply with the Reserve Bank of Zimbabwe (RBZ) loan provisioning guidelines. Given the combination of inherent subjectivity and judgement involved in estimating expected credit losses and the material nature of the balance, we considered the impairment of loans and advances to be a key audit matter in our audit of the consolidated financial statements. We refer to Note 2 (accounting policies) and Note 10 of the financial statements for disclosures relating to loans and advances.	Our audit included identifying relevant controls that address the impairment risks identified and evaluating the design and implementation, and where relevant the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and how the Directors ensure they have appropriate oversight over allowances for loan impairments and other credit risk provisions. • Reviewed security for selected loans and advances and assessed whether it adequately covered the outstanding loan balance. • Tested the valuation of security pledged on the loan balances by comparing them to market valuations. • We selected material advances and analysed the accuracy of the classification of loans into various credit quality portfolios as prescribed by the RBZ loan provisioning guidelines. • We assessed the accuracy of Management's assigned grading into the different RBZ grading guidelines determined on the current market values of security, correspondence received from legal counsel and general information available from the market on the customer's financial position. Using our professional judgement, information provided by management, external analysts, as well as other publicly available market information, we determined the impairment of loans and advances to be adequate.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, other explanatory information (excluding audited amounts and schedules) contained in the risk management report; which we obtained prior to the date of this auditor's report thereon.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Infrastructure Development Bank of Zimbabwe (Chapter 24:14) and the Banking Act (Chapter 24:20), and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Infrastructure Development Bank of Zimbabwe's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the 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 entity's internal control.

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

- Conclude on the appropriateness of management's 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 Infrastructure Development Bank of Zimbabwe'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 financial statements or, if such disclosure is 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 and conditions may cause Infrastructure Development Bank of Zimbabwe's to cease to continue as a going concern.

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

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.

In our opinion, the financial statements have been drawn up as to comply, in all respects with the disclosure requirements of the relevant statutory requirements.

The engagement partner on the audit resulting in this independent auditor's report is Phibion Gwatidzo.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:03).

Partner: Phibion Gwatidzo

PAAB Practicing Number: 0365

Baker Tilly Chartered Accountants (Zimbabwe)

8 Fletcher Road, Mount Pleasant

Harare

Date: 30 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$	2017 US$ (Restated)
Interest and related income	25.1	13 756 036	10 130 403
Interest and related expense	25.2	(5 813 599)	(6 613 388)
Net interest income		**7 942 437**	**3 517 015**
Property sales	26	4 700 032	6 104 829
Cost of sales		(2 933 106)	(3 795 529)
Gross profit		1 766 926	2 309 300
Fee and commission income	27	3 504 068	2 733 467
Dividend income		50 470	26 530
Revenue		**13 263 901**	**8 586 312**
Other income		351 093	740 919
Loan impairment charge		2 084 309	(464 360)
Fair value (loss) / gain on investment property	30	(1 062 065)	1 790 001
Net (loss) / gain on financial assets at fair value through profit or loss	28	(1 731)	264 273
Net foreign exchange gains	31	(9 367)	53 505
Operating expenses	32	(12 855 592)	(11 315 799)
Share of loss of associate		(114 346)	(248 997)
Loss on disposal of associate		(860 308)	-
Profit / (Loss) for the year before taxation		**795 892**	**(594 146)**
Income tax credit		18 620	12 915
Profit / (Loss) for the year		**814 512**	**(581 231)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Net fair value (loss) / gain on financial assets at fair value through other comprehensive income	8	(2 946 987)	353 583
Other comprehensive (loss) / income for the year net of tax		(2 946 987)	353 583
Total comprehensive (loss) / profit for the year		(2 132 475)	(227 648)
Profit / (Loss) for the year attributable to:			
Equity holders of the parent entity		861 734	(564 918)
Non-controlling interest		(47 222)	(16 313)
		814 512	(581 231)
Total comprehensive (Loss) attributable to:			
Equity holders of the parent entity		(2 085 253)	(211 335)
Non-controlling interest		(47 222)	(16 313)
		(2 132 475)	(227 648)
Basic and diluted profit /(loss) per share From profit/(loss) for the year attributable to equity holders (US cents)	34	13	(13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

ASSETS	Note	2018 US$	2017 US$ (Restated)
Cash and bank balances	6	279 936 582	40 973 320
Inventories	13	23 757 254	16 094 871
Other receivables and prepayments	11	8 656 006	4 461 502
Loans and advances to customers	10	45 415 257	53 730 361
Investment securities	7	314 054	315 786
Financial assets at fair value through other comprehensive income	8	7 063 092	9 556 537
Treasury bills and other financial assets	9	197 196 876	42 452 817
Investment in associates	12.5	2 933 850	3 907 601
Investment property	14	15 830 000	13 393 573
Intangible assets	18	125 078	155 824
Property and equipment	17	9 006 013	3 928 173
Deferred taxation	33	31 879	12 915
Total assets		**590 265 941**	**188 983 280**
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers	22	35 166 771	45 918 559
Local lines of credit and bonds	23	337 501 690	84 211 738
Other liabilities	24	13 630 563	5 280 154
Total liabilities		**386 299 024**	**135 410 451**
EQUITY			
Share capital	19	65 281	44 620
Share premium	19	31 785 732	8 934 396
Non distributable reserve	20	(256 617)	(256 617)
Amounts Awaiting Allotment		130 000 000	-
Preference share capital	21	38 283 003	38 283 003
Fair value reserve		631 474	3 578 461
Accumulated losses		(2 863 414)	(2 387 714)
Equity attributable to equity owners of the Group		**197 645 459**	**48 196 149**
Non-controlling interest in equity		6 321 458	5 376 680
Total Shareholders' equity		**203 966 917**	**53 572 829**
Total equity and liabilities		**590 265 941**	**188 983 280**

These financial statements were approved by the Board of Directors and signed on their behalf by:

Joseph Mhakayakora
(Acting Chairman of the Board)
Date: 20 March 2019

T. Zondo Sakala
(Chief Executive Officer)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$	2017 US$ (Restated)
Cash flow from operating activities			
Profit / (loss) for the year		795 892	(594 146)
Adjustments for:			
Depreciation	17	439 359	223 856
Amortisation	18	43 028	23 492
Loan impairment charge	10.1	(2 084 309)	464 360
Provisions and accruals		249 524	1 293 546
Sundry debtors impairment		12 110	85 012
Net losses from translation of foreign currency balances	31	9 367	(53 505)
Profit on disposal of property and equipment		-	2 976
Loss on disposal of investment in associate		860 308	-
Unrealised fair value (gain)/ loss on investment property	14	1 062 065	(1 790 001)
Loss /(gain) on financial assets measured at fair value through profit and loss		1 732	(264 273)
Share of loss of associate	12.5	114 346	248 997
Bad debts recovered		-	(343 407)
		1 503 422	**(703 093)**
Changes in :			
Loans and advances to customers		5 025 310	7 023 417
Other receivables and prepayments		(4 194 504)	1 458 810
Inventories		(7 662 380)	(11 678 835)
Deposits from customers		(10 751 788)	(1 085 583)
Other liabilities		8 350 409	(345 894)
Net cash used in operating activities		**(7 729 531)**	**(5 331 178)**
Cash flow from investing activities			
Acquisition of property and equipment	17	(5 517 989)	(647 264)
Proceeds from sale of property and equipment		-	2 182
Acquisition of financial assets at fair value through other comprehensive income		(453 542)	(1 684 463)
Proceeds from sale of investment property		27 000	21 078
Acquisition of investment property		(3 525 492)	(1 917 660)
Net cash used in investing activities		**(9 470 023)**	**(4 226 127)**
Cash flow from financing activities			
Proceeds from issue of bonds	23	16 330 429	26 897 648
Repayment of bonds	23	(29 804 645)	(16 006 583)
Rights issue	19	2 872 866	-
Increase in local lines of credit		266 764 168	16 806 304
		-	-
Net cash generated from financing activities		**256 162 818**	**27 697 369**
Net increase in cash and cash equivalents		**238 963 264**	**18 140 064**
Cash and cash equivalents at the beginning of the year		40 973 320	22 833 256
Cash and cash equivalents at end of the year	6	**279 936 582**	**40 973 320**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Ordinary share capital US$	Share premium US$	Amounts awaiting allotment US$	Non distributable reserve US$	Preference share capital US$	Fair value reserve US$	Accumulated Losses US$	Total before non-controlling interest US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2018 (Restated)	**44 620**	**8 934 396**	**-**	**(256 617)**	**38 283 003**	**3 578 460**	**(2 387 714)**	**48 196 147**	**5 376 680**	**53 572 828**
Changes on initial application of IFRS 9	-	-	-	-	-	-	(435 047)	**(435 047)**	-	**(435 047)**
Non controlling interest from new subsidiaries	-	-	-	-	-	-	-	**-**	992 000	**992 000**
Acquisition of additional interest in joint operations	-	-	-	-	-	-	(902 387)	**(902 387)**	-	**(902 387)**
Profit for the year	-	-	-	-	-	-	861 734	**861 734**	(47 222)	**814 512**
Issue of shares	20 661	22 851 336	130 000 000	-	-	-	-	**152 871 997**	-	**152 871 997**
Other comprehensive income:										
Net fair value gain on financial assets at FVOCI	-	-	-	-	-	(2 946 987)	-	**(2 946 987)**	-	**(2 946 987)**
Balance as at 31 December 2018	**65 281**	**31 785 732**	**130 000 000**	**(256 617)**	**38 283 003**	**631 473**	**(2 863 414)**	**197 645 460**	**6 321 458**	**203 966 917**
Balance as at 1 January 2017	**44 620**	**8 934 396**	**-**	**(256 617)**	**38 283 003**	**3 224 878**	**(1 822 797)**	**48 407 483**	**262 993**	**48 670 476**
Non controlling interest from new subsidiaries	-	-	-	-	-	-	-	-	5 130 000	**5 130 000**
Loss for the year (Restated)	-	-	-	-	-	-	(564 917)	**(564 917)**	(16 313)	**(581 230)**
Profit for the year as previously reported	-	-	-	-	-	-	642 733	**642 733**	(16 313)	**626 420**
Prior period error (Note 16)	-	-	-	-	-	-	(1 207 650)	**(1 207 650)**	-	**(1 207 650)**
Other comprehensive income:										
Net fair value gain on financial assets at fair value	-	-	-	-	-	353 582	-	**353 582**	-	**353 582**
Balance as at 31 December 2017 (Restated)	**44 620**	**8 934 396**	**-**	**(256 617)**	**38 283 003**	**3 578 460**	**(2 387 714)**	**48 196 148**	**5 376 680**	**53 572 828**

NOTES: SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2018

1 INFRASTRUCTURE DEVELOPMENT BANK GROUP PROFILE AND PRINCIPAL ACTIVITIES

The Infrastructure Development Bank of Zimbabwe (IDBZ/ the Bank/the Group) is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act (Chapter 24:14). The address of the Bank's registered office is IDBZ House, 99 Rotten Row, Harare, Zimbabwe. IDBZ and its subsidiaries (together the Group) are primarily involved in mobilising and providing finance for infrastructure development activities and management of infrastructure development projects.

The consolidated financial statements were approved by the Directors on 20 March 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations and in the manner required by the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20) and the Companies Act (Chapter 24:03)

Functional currency
The financial statements are expressed in United States of America dollars (USD) which was both the functional and presentation currency of the Group for the year ended 31 December 2018.

The continued scarcity of the USD in 2018 resulted in a lot of pricing and market distortions. The Real Time Gross Settlement (RTGS) balances and bond note appeared to have a different inflation rate compared to hard currency. This was particularly more observable in the last quarter of 2018 and resulted in a 3-tier pricing system mostly in the informal market. There were huge settlement discounts for market participants settling in USD. This initiated the debate on whether the USD remained as the functional currency of most entities. Despite all this, the official exchange rate between the Bond and USD remained at 1:1.The Monetary Policy Statement (MPS) of 20 February 2019, pointed out that the foreign exchange premiums on the parallel market ranged from 1.40 to 1.80 to the USD in September 2018 and increased to levels of between 3.0 to 4.0 in February 2019. The Bank is of the opinion that the functional and reporting currency of the Bank was USD for the entirety of 2018. Refer to Note 39 for events occurring after the date of the statement of financial position. The determination of the functional currency was a matter of significant judgement accordingly, it is discussed further under critical areas of judgement per Note 2.33.2

2.1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the asset or liability.

Comparative financial information
The financial statements comprise the comparative statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows. The comparative statements are presented together with the comparative notes.

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the process of applying the Bank's accounting policies, management has made judgements which have the most significant effect on the amounts recognised in the financial statements. These are presented in Note 2.33.

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

New and revised IFRSs mandatorily effective at the end of the reporting period
Except as noted below, the Bank did not adopt any new or revised accounting standards or interpretations. The accounting policies applied in the financial statements are consistent with prior years with the exception of those amended by the following accounting Standards:

2.1.2.1 Adoption of IFRS 9 (effective from 1 January 2018)

The Group adopted IFRS 9: Financial Instruments which replaced IAS 39: Financial Instruments-Recognition and Measurement with effect from 1 January 2018.The Standard introduced new requirements for the classification, measurement and impairment assessment of financial assets and financial liabilities.

The adoption of IFRS 9 has resulted in changes in the Bank's accounting policies for recognition, classification and measurement of financial assets and liabilities and the impairment assessment thereof. The Bank has opted to recognise any effects of the changes of the financial assets and liabilities carrying amounts due to IFRS 9 in the opening retained earnings and other reserves as permitted by IFRS 9.

Business Model Assessment
The Bank's business model is assessed on the total financial instruments portfolio and is based on observable factors such as portfolio risk, performance, basis of compensation to management, frequency, value and timing of sales from the portfolio. The assessment is based on reasonable expected scenarios without taking into account stress case scenarios.

Impairment of Financial Assets
The adoption of IFRS 9 has replaced the Bank's Incurred Loss model under IAS 39 with the Expected Credit Loss (ECL) model. The Bank's new impairment model applies to financial assets, loans, loan commitment, financial guarantee contracts, cash and cash equivalent contract assets, debt investments at FVOCI and investment securities all measured at amortised cost, but not to investments in equity instruments.

The Bank will now be required to consider historic, current and forward-looking information (including macro-economic data) in the determination of credit losses. This will result in the earlier recognition of credit losses as it will no longer be appropriate for the Bank to wait for an incurred loss event to occur before credit losses are recognised.

Under IFRS 9, loss allowances are measured on the following bases:
- 12 months ECLs that result from the possible default events within the next 12 months after the reporting date
- Life time ECLs that result from all possible default events over the expected life of a financial instrument.

The Bank has assumed that the credit risk on a financial asset has increased significantly if it is 30 days more than past due.

Based on the above process, the Bank places loans into Stage 1,Stage 2,Stage 3 as described below:
- **Stage 1** is where credit risk has not increased significantly since initial recognition. For financial assets in Stage 1,entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL. Its credit risk is consciously monitored by the Bank and all repayments are current and within 30 days.
- **Stage 2** is where credit risk has increased significantly since initial recognition. When a financial asset transfers to Stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis. Debt is past due for more than 30 days but less than 90 days as there is increased possibility of credit risk developing.
- **Stage 3** is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event under the IAS 39 model. For financial assets in Stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL. Debt is past due for more than 90 days and is credit impaired.

The table below summarises the general approach:

	Stage 1 Performing	**Stage 2** Underperforming	**Stage 3** Non-performing
Credit risk	Initial recognition	Significant increase in credit risk	Credit impaired assets
Recognition of ECL	12 month ECL	Lifetime ECL	Lifetime ECL
Recognition of interest	EIR on gross carrying amount	EIR on gross carrying amount	EIR on net carrying amount

Measurement of ECL
The Bank calculates ECLs based on the probability of weighted estimate of credit losses measures as the present value of cash shortfalls discounted at the effective interest rate of the financial instrument.

Presentation of Impairment
Loss impairment for financial assets measured at amortised cost are deducted from the gross amount of the financial instruments. For debt securities at FVOCI, the loss is recognised in other comprehensive income, instead of reducing the carrying amount of the asset.

2.1.2.2 IFRS 15 - Revenue from Contracts with Customers (effective from 1 January 2018)
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

> Identify the contract with the customer;
> Identify the performance obligations in the contract;
> Determine the transaction price;
> Allocate the transaction price to the performance obligations in the contracts; and
> Recognise revenue when (or as) the entity satisfies a performance obligation.

The Standard provides guidance on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

2.1.2.3 Impact of other Standards and interpretations in issue but not yet effective

Standard in Issue	Impact
IFRS 16 - Leases *(Applicable to annual reporting periods beginning on or after 1 January 2019)*	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The Standard provides a single lessee accounting model, requiring lessees to recognise and to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
IFRIC 23 - Uncertainty over Income Tax Treatments *(Applicable to annual reporting periods beginning on or after 1 January 2019)*	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: > Whether tax treatments should be considered collectively > Assumptions for taxation authorities' examinations > The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates > The effect of changes in facts and circumstances
(Amendments to IFRS 9) Prepayment features with Negative Compensation *(Annual periods beginning on or after 1 January 2019)*	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
(Amendments to IAS 28) Long term interests in Associates and Joint Ventures *(Annual periods beginning on or after 1 January 2019)*	Clarifies that an entity applies IFRS 9 *Financial Instruments* to long term Interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
Amendments to References to the Conceptual Framework in IFRS Standards *(Annual periods beginning on or after 1 January 2020)*	Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.
Definition of a Business (Amendments to IFRS 3) *(Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020)*	The amendments in *Definition of a Business (Amendments to IFRS 3)* are changes to Appendix A Defined Terms, the application guidance, and the illustrative examples of IFRS 3 only. They: > clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; > narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; > add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; > remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and > add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2.2 Foreign currency translation

(a) Functional and presentation currency
Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in

the United States of America Dollar (USD), which is the functional and presentation currency of the Group.

As highlighted in Note 2.1, there were indications that the currency of our primary economic environment might have changed during the course of 2018. Since 2009, Zimbabwe had a multi-currency environment that was primarily hinged on the USD. The bond note and RTGS balances were convertible on a 1:1 basis in official markets. In the last quarter of 2018, there were huge settlement discounts and/or premiums for settling in USD or in RTGS and Bond notes. Despite these disparities, the Bank did not experience significant changes in its methods of settlement. The Bank is therefore of the view that, in its circumstances, the change in functional currency is a post-year end development arising from the delivery of the Monetary Policy Statement on 20 February 2019. Refer to Note 39 on events after the reporting date.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income. All foreign exchange gains and losses are presented in the statement of profit and loss and other comprehensive income within net foreign exchange gains or losses.

2.3 Consolidation

(a) Subsidiaries

The nature of project finance requires the creation of Special Purpose Vehicles (SPVs) to ring fence project risks. The IDBZ Act allows the Bank to create SPVs to achieve its objectives. Some of these SPVs satisfy the definition of subsidiaries for financial reporting purposes.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous Shareholders' meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquired identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group entities are eliminated. Profits or losses resulting from transactions with Group entities that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(c) Disposal of subsidiaries

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

(d) Associates and joint ventures

Associates and joint ventures are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the statement of comprehensive income.

Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates or joint ventures are recognised in the statement of comprehensive income.

The Bank discontinues the use of equity method when it ceases to have significant influence over an Associate. From that point, the investment is accounted for in accordance with IFRS 9 provided the associate does not become a subsidiary. On the loss of significant influence the Bank measures any remaining investment in the associate at fair value. Any difference between the sum total of the fair value of the retained investment and proceeds from disposing of part of the investment compared to the total carrying amount of the investment at the date when significant influence or loss is recognised in profit and loss.

(e) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for the liabilities, relating to the arrangement.

The Group's joint operations are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint operations is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint operations' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements. When the Group sells assets to a joint operation, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other operators. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When the Group purchases assets from a joint operation, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Deferred tax
Deferred tax is recognised using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In determining the amounts used for taxation purposes the Directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced methods to account for the deferred tax arising on assets purchased in ZWD. These methods require the preparer to first estimate the equivalent US$ value of those assets at the time of purchase. Since the measurement of transactions in Zimbabwe dollars in the prior periods is affected by several economic variables such as mode of payment and hyperinflation, this is an area where the Directors have had to apply their judgement and acknowledge there could be significant variations in the results achieved depending on assumptions made.

2.5 Financial assets and liabilities

2.5.1. Date of recognition
Financial assets and liabilities are initially recognised using trade date accounting, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument.

This includes regular way trades, purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.5.2. Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.5.6. Financial instruments are initially measured at their fair value as defined in Note 2.1.1, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVPL) wherein transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

2.5.3. Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.5.4. Measurement categories of financial assets and liabilities
From 1 January 2018, the Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost;
- FVOCI; and
- FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Before 1 January 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

2.5.5. Balances due from other banks, loans and advances to customers and financial investments at amortised cost
Before 1 January 2018, balances due from other banks and loans and advances to customers, included non–derivative financial assets with

fixed or determinable payments that were not quoted in an active market, other than those:
- That the Bank intended to sell immediately or in the near term;
- That the Bank, upon initial recognition, designated as FVPL or as available-for-sale; and
- For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Bank only measures balances due from other banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2.5.6 Business model assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.5.7 The SPPI test
As a second step of its classification process the Bank assesses the contractual terms of financial instruments to identify whether they meet the Solely Payments of Principal and interest (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.5.8 Financial assets or financial liabilities held for trading
The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.5.9 Debt instruments at FVOCI (Policy applicable from 1 January 2018)
The Bank applies the new category under IFRS 9 of debt instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available- for-sale under IAS 39. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2.5.10 Equity instruments at FVOCI (Policy applicable from 1 January 2018)
Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.5.11 Debt issued (bonds) and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR). A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.5.12 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met; such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
  Or
- The liabilities (and assets until 1 January 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
  Or
- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited financial assets and financial liabilities at FVPL, are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of the instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

2.6 Reclassification of financial assets and liabilities

From 1 January 2018, the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line or there is a change in business model for a group of financial instruments.

2.7 Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased Or Originated Credit Impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counter-party; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.8 Derecognition other than for substantial modification

2.8.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement:
  Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when

all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.8.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.9. Impairment of financial assets (Policy applicable from 1 January 2018)

2.9.1. Overview of the ECL principles

As described in Note 2.1.2, the adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 2.33.1 (b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL s and 12mECL s are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** These are loans that are considered credit-impaired. The Bank records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.9.2. The calculation of ECLs

The Bank calculates ECL s based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD** The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD** The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD** The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')).

Each of these is associated with different PDs, EADs and LGDs, as set out above. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of revolving facilities, for which the treatment is separate, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below :

- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Treatment of loan commitments, financial guarantees and other off-balance sheet exposures

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The usual off-balance sheet exposures within the Bank relate to:

- Loan commitments and letters of credit
- Financial guarantee contracts

The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions . The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

2.9.3. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2.9.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

2.9.5. Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2.10. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed when market fundamentals change significantly. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

2.11. Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date, in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

2.12. Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.13. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

From 1 January 2018, when the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contract that is more than 30 days past due.

Transition disclosures

The following notes set out the impact of adopting IFRS 9 on the statement of financial position and retained earnings including the effect of replacing IAS 39's incurred credit loss calculation with IFRS 9's ECLs. Only financial instruments within the scope of IFRS 9 have been considered in this disclosure.

Classification and measurement of financial instruments

The measurement category, classification and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		Movement	IFRS9
	Classification & Measurement	Carrying Amount as at 31-Dec-17	Remeasurements	Carrying Amount as at 1-Jan-18
		US$	US$	US$
FINANCIAL ASSETS				
Cash and cash equivalents on hand	Amortised cost	206 396	-	206 396
Balances with other bank and cash	Amortised cost	40 766 924	-	40 766 924
Total cash and cash equivalents		40 973 320	-	40 973 320
Treasury Bills				
Medium term treasury bills acquired from the market	Amortised cost	5 440 352	-	5 440 352
Debt substitution instruments (ZAMCO treasury bills)	Amortised cost	15 940 516	-	15 940 516
Capitalisation treasury bills	Amortised cost	20 411 154	-	20 411 154
Accrued interest	Amortised cost	660 795	-	660 795
		42 452 817	-	42 452 817
On Balance Sheet Loans and Advances				
Gross advances	Amortised cost	55 906 801	-	55 906 801
Allowances for loan impairment		(2 176 440)	(435 047)	(2 611 487)
Net advances		53 730 361	(435 047)	53 295 314
Loan commitments, guarantees and off-balance sheet exposures	Amortised cost	38 591	-	38 591
Gross contingencies		38 591	-	38 591
Investment securities				
Listed equity (outside the scope of IFRS 9 impairment)	FVTPL	315 786	-	315 786
Unlisted equities (outside the scope of IFRS 9 impairment)	FVTOCI	9 556 537	-	9 556 537
		9 872 323	-	9 872 323
Trade and other receivables				
Sundry receivables - gross	Amortised cost	3 258 859	-	3 258 859
Allowances for impairment		(197 956)	-	(197 956)
(these are day to day receivables assessed under the simplified approach with no material difference between IFRS 9 and IAS 39)				
		3 060 903		3 060 903
FINANCIAL LIABILITIES				
Deposits from customers	Amortised cost	45 918 559	-	45 918 559
Local lines of credit and bonds	Amortised cost	84 211 738	-	84 211 738
Trade and other payables	Amortised cost	245 040	-	245 040
		130 375 337		130 375 337

The group has assessed its financial instruments which had previously been classified as FVTOCI instruments, instruments at amortised cost and others at FVTPL and concluded that these had been correctly classified and would not change under IFRS 9.

Reconciliation of impairment allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

Measurement Category	Loans loss allowance under IAS 39 as at 31 December 2017	Remeasurement	Loss allowance under IFRS 9 as at 1 January 2018
	US$	US$	US$
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)	2 176 440	435 047	2 611 487
Advances and other accounts investment securities held at amortised cost	-	-	-
Loan commitments and financial guarantees	-	-	-
TOTAL	**2 176 440**	**435 047**	**2 611 487**

The impact of transition to IFRS 9 is as follows:

Changes in Retained Earnings	US$
Closing balance under IAS 39 (31 December 2017)	(2 387 714)
Recognition of IFRS 9 Expected Credit Losses (ECL)	(2 611 487)
Prior year incurred loss IAS 39	2 176 440
Opening balance under IFRS 9 (1 January 2018)	**(2 822 761)**

2.14 Taxes

All the receipts and accruals of the Group are exempt from income tax in terms of Paragraph 2 of the Third Schedule of the Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Capital Gains Tax Act (Chapter 23:01) from capital gains tax with the exception of one subsidiary, Mazvel Investments (Private) Limited.

2.14.1 Income tax

Income tax expenses comprise current, AIDS levy and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(a) Current

Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

(b) Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.15 Other receivables

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

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

2.16 Inventories

Inventories comprise substantially of properties under construction, for development and completed units. All inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

2.16.1 Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows: The cost or fair value of properties under development for sale comprises specifically identified cost, including the acquisition cost of land or fair value as it relates to land received as part of a government grant, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised . Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2.16.2 Completed property held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.17 Investment property

Property that is held for long term rental yields or for capital appreciation or both; and that is not occupied by the entities in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and, where applicable, borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections. Valuations are performed as at the statement of financial position date by professional valuators who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement of property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- Past experience with similar constructions;
- The development risk specific to the construction; and
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those rational market participants would take into account when determining the value of the investment property policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

Changes in fair value are recognised in the statement of comprehensive income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal.

Where the Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of the transfer is treated in the same way as revaluation under IAS 16: Property, Plant and Equipment. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the statement of comprehensive income.

2.18 Property and equipment

Recognition and measurement
Items of property and equipment, are measured at historical cost less accumulated depreciation and impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling the asset and removing items and restoring the site on which they are located.

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

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day to day servicing of property and equipment is recognised in the statement of comprehensive income as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line basis to allocate their cost to their residual values over their useful lives .

Buildings	30 years
Motor vehicles	4 - 5 years
Office equipment	3 years
Furniture and fittings	3 - 10 years
Computer hardware	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.19 Intangible assets

Software licences
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

Amortisation
Computer software costs recognised as intangible assets are amortised on the straight-line basis over their estimated useful lives.

2.20 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.21 Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax from the proceeds.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the entity's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the Shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are not recognised for future operating losses
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and bonus.

2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or customers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Leases

Group as lessor
Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. The outstanding principal amounts less unearned finance charges, are included in advances to customers in the statement of financial position.

The finance charges earned are computed at the effective interest rate in the contracts and are brought into income in proportion to balances outstanding under each contract. The unearned portion of finance charges is shown as a deduction from loans and advances. The Group had no finance leases during the reporting period ended 31 December 2018 (2017:US$ nil).

Group as lessee
Leases of assets under which the lessor effectively retains all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of lease.

2.26 Financial guarantees

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

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

2.27 Related parties

Related party is a person or entity that is related to the Bank as defined in IAS 24. Related party transactions are transfers of resources, services or obligations between related parties regardless of whether a price is charged. Related party transactions and outstanding balances with key management and other entities in the Group are disclosed.

2.28 Revenue recognition

Revenue is derived substantially from the business of banking, project advisory services and related activities and comprises net interest income and non-interest income. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group activities as described below.

The Group bases its estimate of return on historical results taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

2.28.1 Recognition of interest income

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income.

The adjustment is subsequently amortised through interest and similar income in the income statement.

Interest and similar income

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

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

2.28.2 Non-interest income

Non-interest income includes advisory and arrangement fees, net revenue from foreign exchange trading and net gains on the realisation or revaluation of investment properties. All such commissions and fees including service fees, investment management fees, placement and syndication fees are recognised as the related services are performed.

2.28.3 Dividend income

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

2.28.4 Rental income

Rental income from the investment property is accounted for on an accrual basis.

2.28.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses, the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should construct or otherwise acquire non-current assets, are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.28.6 Property sales
Gross profit arising from the sale of property is recognised on legal completion of the sale that is the point at which the purchase price for the property is paid and the transfer documents are dated.

2.29 Employee benefits

2.29.1 Pension scheme
The Group subscribes to two defined contribution pension plans; one is the Infrastructure Development Bank of Zimbabwe's group pension scheme and the other plan is the National Social Security Authority Scheme covering substantially all of its employees. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions should the fund at any time not hold sufficient assets to pay all employees the benefits relating to their service in the current and prior periods. The Group's obligations for contributions to these schemes is recognised as an expense in the statement of comprehensive income as they are incurred.

2.29.2 Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either 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 Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.29.3 Short term employee benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group 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.

2.30 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The diluted EPS figure is determined by adjusting the profit or loss attributable to ordinary Shareholders and the weighted average number of outstanding shares for the effects of all potentially dilutive ordinary shares.

2.31 Dividend distribution

Dividend distribution to the Group's Shareholders is recognised as a liability in the period in which the dividends are declared by the Bank's Directors.

2.32 Fiduciary activities

The Group manages, on behalf of the Ministry of Finance and Economic Development, loan (and collection thereof) and fiscal funding disbursements to implementing agencies for infrastructure projects.

The assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

2.33 Critical accounting estimates and key sources of estimation uncertainty

The Group's financial position and its financial results are influenced by assumptions, estimates and management judgment, which necessarily have to be made in the course of the preparation of the financial statements. The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of carrying a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

2.33.1 Impairment on loans and advances
(a) Determination of impairment allowance

The measurement of the expected credit loss allowance is an area of significant judgement. The process requires the interaction of complex LGD, EAD and PD models and also requires as the use of human judgement about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 2.9. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Determining criteria for default.

(b) Significant increase in credit risk

The Bank defines significant increase in credit risk as a significant increase in the probability of a default occurring since initial recognition.

Credit risk would have increased significantly when contractual payments are more than 30 days past due. All accounts with significant material impact are placed on a watch list from 15 days past due. This increase in credit risk is determined on a continuous basis. In this case, the Bank performs the assessment on appropriate groups or portions of a portfolio of financial instruments. The Bank applies a rebuttable presumption that the credit risk has increased significantly when contractual payments are more than 30 days past due.

(c) Default

According to the Bank's policies, default arises when an obligor/ borrower fails to meet debt service obligations within 90 days of commitment either owing to lack of capacity or unwillingness to pay. This mirrors the 90 days past due rebuttable presumption contained in the Standard.

2.33.2 Functional currency

Owing to the continued scarcity of the USD in 2018 which resulted in a lot of pricing and market distortions, the determination of functional currency has become a matter of significant judgement. The Institute of Chartered Accountants of Zimbabwe (ICAZ) issued recommendations for entities to consider the possibility of a change in the functional currency. This assessment was to be entity specific. The Public Accountants and Auditors Board (PAAB) in consultation with the Reserve Bank Zimbabwe (RBZ) also deliberated on the matter. The Real-Time Gross Settlement (RTGS) balances and bond note appeared to have a different inflation rate compared to hard currency. This was particularly more observable in the last quarter of 2018 and resulted in a 3-tier pricing system mostly in the informal market. There were huge settlement discounts for market participants settling in USD. This initiated the debate on whether the USD is still the functional currency of most entities. Despite all this, the official exchange rate between the Bond and USD remained at 1:1. There are a number of arguments supporting the 1st of October 2018 as the effective date for a change in functional currency owing to the spontaneous rise in the bond dollar inflation during the last quarter of 2018. When the Bank's cost structure for the last quarter is analysed, the observed high inflation does not necessarily hold true as a result of the contractual nature of IDBZ's expenditure. The Bank also managed to settle some transactions on a 1:1 basis. The Bank is of the opinion that the change in functional currency considerations are a post year end event pursuant to the Monetary Policy Statement (MPS) of 20 February 2019. Therefore, the functional and reporting currency of the Bank was USD for the entirety of 2018. Refer to Note 39 for events occurring after the balance sheet date.

2.33.2 Key sources of estimation uncertainty

Impairment of financial assets at fair value through other comprehensive income

This note relates to other financial assets other than debt instruments at fair value through other comprehensive income.

The Group determines that financial assets at FVTOCI are impaired when there is a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

2.33.3 Useful lives and residual values of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. The estimate is based on projected life cycles for these assets. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

2.33.4 Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market observable data to the extent that it is available. Where this is not available, the Group uses third party qualified valuators to perform the valuation.

The Group recognised Treasury Bills as capital for regulatory purposes at nominal value. For financial reporting purposes, valuation intricacies ensued due to:

a) The lack of an active market to use as a reference point from which to draw a "market value "or a "market discount rate"; and
b) The high level of sensitivity to interest parameters which one could possibly apply in a valuation model resulting in a wide dispersion in the possible fair values.

Treasury Bills are valued using Time Value of Money basis by applying market discount rate to future cash flows in order to determine the present value of cash flows. In the absence of a market, IFRS 13 allows for the development of a valuation model using inputs which can either be verifiable or are not verifiable with the extent of verifiability determining whether the valuation model belongs under Level 2 or Level 3 of the valuation input scale.

2.33.5 Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements. Additional information on the going concern assumption is disclosed in Note 40.

3 RISK MANAGEMENT

3.1 Risk Management Policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk, and price risk).

Risk management is a key function of management. The dynamism characterising the financial services sector has increased the importance of risk management. The Group has put in place a risk management framework to identify the type and areas of risk and to measure and assess all risks to enable management to make sound judgements and decisions and thereby limit losses.

The Board of Directors has overall responsibility for setting policies for risk management. The implementation and monitoring of the risk policies is through appropriate risk management structures with delegated authority from the Board. The Risk Management and Compliance Unit independently monitors risk throughout the Group according to set risk policies and provides advice and support on compliance matters. The Group manages risk within applicable laws. Each department is responsible for ensuring that its conduct complies with all the applicable laws and regulations.

In addition, the Group Internal Audit Unit is responsible for independent review of risk management and control environment; and the Group Legal Counsel provides advice and support on legal matters.

A Finance and Risk Management Committee has been set at Board level and it consists of non-executive directors to ensure the importance of this function is emphasized at a higher level.

3.2 Credit risk

Credit risk is the possibility of loss arising from the inability of a client or a counter party to meet its commitments to the Group. It is inherent in most banking products and activities. Credit risk management and control within the Group is guided by the Group's credit policy. The credit policy outlines procedures for accurate assessment, proper approval and consistent monitoring of credit risk.

The Group manages credit exposure to any entity through credit limits. A credit limit is set for each customer after assessment of the financial strength of the customer and assessment of other qualitative factors which influence the performance of the customer. The Group has in place a management credit committee that assesses credit proposals and exercises credit approval authority, up to a set limit. Approval of credit at higher levels requires the approval of the Board.

Individual loans are reviewed continuously through monthly reassessment of the credit grading so that problems can be detected and managed at an early stage. Periodic reassessment is also done based on management information received. Impairment allowances are adjusted monthly in line with the reassessed credit grades.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

Maximum exposure to credit risk before collateral held or other credit enhancement

Credit risk exposure relating to on-balance sheet assets are as follows:	Maximum Exposure 31 Dec 2018 US$	Maximum Exposure (Restated) 31 Dec 2017 US$
Cash and bank balances	279 936 582	40 973 320
Treasury bills and other financial assets	191 044 009	42 452 817
Gross loans and advances to customers	48 721 491	55 906 801
Assets pledged as collateral	6 152 867	-
Other receivables and prepayments	9 779 594	4 461 502
	535 634 543	143 794 440
Credit risk exposure relating to off-balance sheet assets are as follows:		
Loan commitments	992 837	38 591
Maximum exposure to credit risk	536 627 380	143 833 031

Financial guarantees
Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. There was no potential obligation resulting from these guarantees.

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and cash equivalents at the reporting date approximates the carrying amount.

Loans and advances (including assets pledged as collateral) are summarised as follows:	2018 US$ (IFRS 9)	2017 US$ (IAS39)
Stage 1	39 760 398	
Stage 2	866 549	
Stage 3	8 094 544	
Gross	**48 721 491**	**55 906 801**
Less: allowance for impairment	(3 306 234)	(2 176 440)
Net	**45 415 257**	**53 730 361**

3.3 Liquidity risk

Liquidity risk is the possibility that the Group may fail to cover its financial obligations as they fall due. The risk arises as a result of mismatches between the maturities of assets and liabilities.

Management manages liquidity risk through cash flow and maturity mismatch management. They meet regularly to set and review the Group's strategies. The treasury department has the responsibility to implement and maintain a liquidity management strategy to ensure that the Group has sufficient liquidity to meet its daily liquidity obligations .

The Group has developed a comprehensive contingency liquidity plan to ensure that the Group does not get affected in case of a major market upset.

The Group uses the following strategies in its liquidity risk management:
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Diversification of liabilities to achieve a stable funding base and avoid excessive reliance on any one counter party;
- Maturity mismatch limits for its cumulative funding positions; and
- Access to inter-bank markets.

Contract maturity analysis
Sources of liquidity are regularly reviewed by a separate team in Treasury function to maintain a wide diversification by provider, product and term.

As at 31 December 2018	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Assets						
Cash and bank balances	279 936 582	-	-	-	-	279 936 582
Investment securities	314 054	-	-	-	-	314 054
Financial assets at fair value through other comprehensive income	-	-	-	-	7 063 092	7 063 092
Treasury bills and other financial assets	-	12 454	6 947 412	-	184 084 138	191 044 009
Loans and advances to customers	7 965 005	472 257	-	17 006 561	19 971 434	45 415 257
Total	**288 215 641**	**484 711**	**6 947 412**	**17 006 561**	**211 118 665**	**523 772 995**
Liabilities						
Deposits from customers	24 486 515	10 599 282	80 974	-		35 116 771
Bonds	1 240 357	-	12 972 563	10 124 205	17 825 571	42 162 696
Local lines of credit	295 338 993					295 338 993
Other liabilities	-	13 630 562	-	-	-	13 630 563
Total	**321 065 865**	**24 229 845**	**13 053 537**	**10 124 205**	**17 825 571**	**386 299 023**
Gap	**(32 850 224)**	**(23 745 134)**	**(6 106 120)**	**6 882 356**	**193 293 094**	**137 473 972**
Contingent liabilities:						
Loan commitments	992 837	-	-	-	-	992 837
Total gap	**(33 843 061)**	**(23 745 134)**	**(6 106 120)**	**6 882 356**	**193 293 094**	**136 481 135**
Total cumulative gap	**(33 843 061)**	**(57 588 195)**	**(63 694 315)**	**(56 811 959)**	**136 481 135**	**-**

As at 31 December 2017 (Restated)	Up to 1 month	1 to 3 months	3 to 9 months	9 to 12 months	over 12 months	Total
Assets						
Cash and bank balances	40 973 320	-	-	-	-	40 973 320
Investment securities	315 786	-	-	-	-	315 786
Financial assets at fair value through other comprehensive income	-	-	-	-	9 556 537	9 556 537
Treasury bills and other financial assets	-	27 685	6 745 160	904 648	34 775 324	42 452 818
Loans and advances to customers	7 116 301	306 608	-	16 934 970	29 372 482	53 730 360
Total	**48 405 407**	**334 293**	**6 745 160**	**17 839 618**	**73 704 343**	**147 028 821**
Liabilities						
Deposits from customers	18 082 950	27 348 308	89 358	397 943	-	45 918 559
Bonds	196 836	12 371 505	10 794 432	10 794 432	26 879 263	61 036 468
Local lines of credit	23 175 271					23 175 271
Other liabilities	-	4 072 505	-	-	-	4 072 505
Total	**41 455 057**	**43 792 318**	**10 883 790**	**11 192 375**	**26 879 263**	**134 202 803**
Gap	**6 950 350**	**(43 458 025)**	**(4 138 630)**	**6 647 243**	**46 825 080**	**12 826 018**
Contingent liabilities:						
Loan commitments	38 591	-	-	-	-	38 591
Total gap	**6 911 759**	**(43 458 025)**	**(4 138 630)**	**6 647 243**	**46 825 080**	**12 787 427**
Total cumulative gap	**6 911 759**	**(36 546 266)**	**(40 684 896)**	**(34 037 653)**	**12 787 427**	**-**

3.4 Market risk

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

Market risk is the possibility of loss in the realisable value of assets or increase in the value of liabilities arising from adverse movements in interest rates, foreign exchange rates and share prices.

Interest rate risk arises due to assets and liabilities maturing at different times and thereby necessitating the rollover and re-pricing of liabilities for reinvestment and re-pricing of assets.

The Group uses the following to measure interest rate risk:
- Gap analysis;
- Duration analysis to estimate the loss in market value of the asset portfolio if interest rates move; and
- Rate sensitivity analysis involving calculation of ratios of rate sensitive assets to rate sensitive liabilities, and net rate sensitive assets/ liabilities to equity and total assets.

Exchange rate risk arises from foreign currency open positions. The Group manages the risk through limits on the total exposure and through dealer limits.

3.4.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly by the Management Asset Liability Committee (MALCO).

The Group manages interest rate risk through the Management Asset and Liability Committee and the strategies used include:
(a) Loan pricing, promotion and product structure;
(b) Deposit pricing, promotion and product structure;
(c) Use of alternative funding sources, including off-balance sheet alternatives to the extent such activity is authorised by the Board; and
(d) Security purchases and sales.

3.4.2. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's quoted equity securities are publicly traded on the Zimbabwe Stock Exchange.

Below is a summary of the impact of increases/(decreases) of the equity index on the Group`s profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/(decreased) by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

3.4.3 Interest rate risk

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Interest rate re-pricing gap analysis

As at 31 December 2018	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets							
Cash and bank balances	279 936 582	-	-	-	-	-	279 936 582
Investment securities	-	-	-	-	-	314 054	314 054
Loans and advances to customers	7 965 005	472 257	-	17 006 561	19 971 434	-	45 415 257
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7 063 092	7 063 092
Treasury bills and other financial assets	-	12 454	6 947 417	-	184 084 138	-	191 044 009
Total assets	**287 901 587**	**484 711**	**6 947 417**	**17 006 561**	**204 055 573**	**7 377 146**	**523 772 995**
Equity and liabilities							
Deposits from customers	25 995 665	10 599 282	80 974	-	-	-	36 675 921
Bonds	1 240 357	-	12 972 563	10 124 205	17 825 571	-	42 162 697
Local lines of credit	295 338 993						295 338 993
Other liabilities	-	-	-	-	-	13 630 563	13 630 563
Total equity and liabilities	**322 575 015**	**10 599 282**	**13 053 537**	**10 124 205**	**17 825 571**	**13 630 563**	**387 808 174**
Total interest re-pricing gap	**(34 673 428)**	**(10 114 571)**	**(6 106 120)**	**6 882 356**	**186 230 002**	**(6 253 420)**	**135 964 822**
Total cumulative gap	**(34 673 428)**	**(44 787 999)**	**(50 894 119)**	**(44 011 763)**	**142 218 240**	**135 964 822**	

As at 31 December 2017 (Restated)	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets							
Cash and bank balances	40 973 320	-	-	-	-	-	40 973 320
Investment securities	-	-	-	-	-	315 786	315 786
Loans and advances to customers	7 116 301	306 608	-	16 934 970	29 372 481	-	53 730 360
Financial assets at fair value through other comprehensive income	-	-	-	-	-	9 556 537	9 556 537
Treasury bills and other financial assets	-	27 685	6 745 160	904 648	34 775 325	-	42 452 818
Non-current assets held for sale	-	-	-	-	-	-	-
Trading assets pledged as collateral	-	-	-	-	-	-	-
Total assets	**48 089 621**	**334 293**	**6 745 160**	**17 839 618**	**64 147 806**	**9 872 324**	**147 028 821**
Deposits from customers	18 082 950	27 348 308	89 358	397 943	-	-	45 918 559
Bonds	196 836	12 371 505	10 794 432	10 794 432	26 879 263	-	61 036 468
Local lines of credit	23 175 271						23 175 271
Other liabilities	-	-	-	-	-	4 072 504	4 072 505
Total equity and liabilities	**41 455 057**	**39 719 813**	**10 883 790**	**11 192 375**	**26 879 263**	**4 072 503**	**134 202 803**
Total interest re-pricing gap	**6 634 564**	**(39 385 520)**	**(4 138 630)**	**6 647 243**	**37 268 543**	**5 799 819**	**12 826 019**
Total cumulative gap	**6 634 564**	**(32 750 956)**	**(36 889 586)**	**(30 242 343)**	**7 026 200**	**12 826 019**	**-**

3.4.3 Interest risk sensitivity analysis

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, and the impact on the Group's statement of comprehensive income. The rates used for the sensitivity are approved by the Management Assets and Liabilities Committee (MALCO).

Interest rate change	Effect on profit for the year 2018 US$	Effect on profit for the year 2017 US$
5% increase/(decrease)	687 802	506 520
10% increase/(decrease)	1 375 604	1 013 040

3.4.4 Foreign exchange risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December. Concentration of currency risk on off-balance sheet financial instruments as at 31 December was as follows:

As at 31 December 2018	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	EUR US$ equivalent	Other US$ equivalent	Total US$
Assets							
Cash and bank balances	279 922 142	11 003	77	1 385	1 974	-	279 936 582
Investment securities	314 054	-	-	-	-	-	314 054
Loans and advances to customers	45 415 257	-	-	-	-	-	45 415 257
Treasury bills and other financial assets	191 044 009	-	-	-	-	-	191 044 009
Financial assets at fair value through other comprehensive income	7 063 092						7 063 092
Other receivables and prepayments	8 656 006	-	-	-	-	-	8 656 006
	532 414 560	**11 003**	**77**	**1 385**	**1 974**	**-**	**532 429 000**
Equity and liabilities							
Deposits from customers	35 165 833	612	0	20	306	-	35 166 771
Bonds	42 162 697						42 162 697
Local lines of credit	295 338 993	-	-	-	-	-	295 338 993
Other liabilities	13 630 563	-	-	-	-	-	13 630 563
	386 298 086	**612**	**0**	**20**	**306**	**-**	**386 299 024**
Net foreign exchange position	**146 116 474**	**10 391**	**77**	**1 365**	**1 668**	**-**	**146 129 977**

As at 31 December 2017 (Restated)	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	EUR US$ equivalent	Other US$ equivalent	Total US$
Assets							
Cash and bank balances	40 936 638	23 942	84	1 379	11 276	-	40 973 320
Investment securities	315 786	-	-	-	-	-	315 786
Loans and advances to customers	53 730 361	-	-	-	-	-	53 730 361
Treasury bills and other financial assets	42 452 817	-	-	-	-	-	42 452 817
Financial assets at fair value through other comprehensive income	9 556 537						9 556 537
Trading assets pledged as collateral	-	-	-	-	-	-	-
Other receivables and prepayments	4 461 502	-	-	-	-	-	4 461 502
	151 453 641	**23 942**	**84**	**1 379**	**11 277**	**-**	**151 490 323**
Equity and liabilities							
Deposits from customers	45,917,442	836	92	24	448	283	45,918,559
Bonds	61 036 468						61 036 468
Local lines of credit	23 175 271	-	-	-	-	-	23 175 271
Other liabilities	4 072 505	-	-	-	-	-	4 072 504
	134 201 685	**836**	**92**	**24**	**448**	**283**	**134 202 800**
Net foreign exchange position	**17 251 956**	**23 106**	**(12)**	**1 355**	**10 828**	**(283)**	**17 287 142**

The Group had no off-balance sheet foreign currency exposure as at 31 December 2018 (31 December 2017: US$nil).

Foreign exchange risk

The table below indicates the extent to which the Group is exposed to foreign exchange risk as at 31 December 2018:

Exchange rate change	Effect on profit for the year 2018 US$	Effect on profit for the year (Restated) 2017 US$
5% appreciation/(depreciation)	675	(520)
10% appreciation/(depreciation)	1 350	(1 039)

4 CAPITAL MANAGEMENT

The Group's objective when managing capital are :

- To safe guard the Group's ability to continue as a going concern so that it can continue to provide returns to Shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee (MALCO) sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk-return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals. The Group Risk and Compliance Unit monitors and ensures adherence to these policies as well as continuously measures the efficacy of these policies through MALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's capital is monitored using the dollar amount of the net Shareholders' equity position, noting and explaining the causes of significant changes.

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

5.1.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018.

At 31 December 2018	Level 1 US$	Level 2 US$	Level 3 US$
Investment securities	314 054	-	-
Financial assets at fair value through other comprehensive income	-	-	7 063 092
Total assets	**314 054**	**-**	**7 063 092**
Total liabilities	**-**	**-**	**-**
At 31 December 2017			
Investment securities	315 786	-	-
Financial assets at fair value through other comprehensive income	-	-	9 556 537
Total assets	**315 786**	**-**	**9 556 537**
Total liabilities	**-**	**-**	**-**

Capitalisation Treasury Bills

Following a rights issue in the year ended 31 December 2018 to existing Shareholders, the Bank received capitalisation Treasury Bills with a face value of $150 000 000. The Treasury Bills have a 5% coupon which equates to market coupons for similar instruments.

In prior years, the Bank received capitalisation Treasury Bills which mature on 27 May 2021 and 24 March 2022 with coupon rates below 5%.

These Treasury Bills were classified under the amortised business model in terms of IFRS 9: Financial Instruments. Consequently, the assets are included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

The determination of fair value at initial recognition was contentious owing to the lack of an established market for the instruments. The Bank used a rate of 5% to instruct the fair value of the financial instruments. The method applied falls into Level 3 of the fair value hierarchy in terms of IFRS 13: Fair Value Measurement due to the absence of a recognisable market in which similar instruments were traded. The table below shows the sensitivities if other rates had been applied;

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The Discounted Cash flow valuation technique was applied by identifying a risk adjusted discount rate for comparable risk profiles and applying this on the contractual cash flows in order to determine the present value of the instrument.	A discount rate of 5% was applied. This was developed principally from adding a supposed fair rate of return to the projected inflation profile over the term of the instrument which yielded a range of 3.93% to 5.5%. The supposed fair return was based on the US 10 year Bond. The rates above were corroborated by reference to: a) Rates applicable to similar loans to Government of Zimbabwe over the same term. b) External loan rates to private sector players in Zimbabwe after adjustment for risk margins and charges.	The estimated fair value would increase/(decrease) if a different risk adjusted discount rate was applied. Below is an indication of the sensitivity analysis at different rates:

Rate	Basis	Increase/decrease in capital
3.93%	Minimum	483 583
4.63%	Average	926 093
5.00%	Rate applied	1 155 469
5.50%	Maximum	1 460 576

5.1.2 Financial instruments not measured at fair value

The table below summarises the carrying amounts of those financial assets and liabilities presented in the Group's statement of financial position. The fair value of the financial instruments approximates carrying amount.

	Carrying value 2018 US$	Fair value 2018 US$	Carrying value 2017 US$	Fair value 2017 US$
Financial assets :				
Treasury bills and other financial assets	191 044 009	191 044 009	42 452 817	42 452 817
Loans and advances to customers	45 415 257	45 415 257	53 730 361	53 730 361
Assets pledged as collateral	6 152 867	6 152 867	-	-
Financial liabilities:				
Deposits from customers	35 166 771	35 166 771	45 918 559	45 918 559
Bonds	42 162 697	42 162 697	61 036 468	61 036 468
Local lines of credit:	283 058 058	283 058 058	23 175 270	23 175 2710

It is assessed that the carrying amounts approximates their fair values.

(a) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As the loans and advances are issued at variable rates, the carrying amount approximates fair value.

(b) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. All deposits are in this category therefore the carrying amount approximates fair value.

5.1.3 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counter parties and groups, and to industries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and trade receivables; and
- Sinking funds with ring fenced cash flows.

Longer term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss, the Group will seek additional collateral from the counter party as soon as impairment indicators are noticed for the relevant individual loans and advances.

b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amounts of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

5.2 Impairment losses on financial assets

The measurement of impairment losses under both IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

5.3 Credit loss expense

The table below shows the ECL provisions on financial instruments;

2018	Note	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
Due from banks	6	-	-	-	-	-	-	-
Loans and advances to customers	10	721 234		37 750		2 547 249		3 306 234
Treasury bills and other financial assets	9	-	-	-	-	-	-	-
Other receivables	11	-	-	-	-	-		-
Loan commitments	36	-	-	-	-	-	-	-
Total Impairment		**721 234**	**-**	**37 750**	**-**	**2 547 249**	**-**	**3 306 234**

****For the year ended 31 December 2017, the Bank applied IAS 39 in determining its impairment allowances. The disclosures are included for the affected financial instruments especially loans and advances in Note 10.

6 CASH AND BANK BALANCES

	2018 US$	(Restated) 2017 US$
Cash on hand	107 081	206 396
Balances with banks	279 829 501	40 766 924
	279 936 582	**40 973 320**
Due from banks	**2018**	**2017**
Placements with other banks	269 697 010	36 245 891
Less: Allowance for impairment losses	-	-
Net Placements due	**269 697 010**	**36 245 891**

Included in cash and cash equivalents are balances with Banks. These balances are used for transacting on a daily basis. In 2018 the Central Bank through Exchange Control Directive RT120 of 2018 separated bank balances into Nostro Foreign Currency Accounts (Nostro FCA) and Real Time Gross Settlement Foreign Currency Accounts (RTGS FCA). Nostro FCA accounts are electronic bank balances whose source of funds are USD cash deposits and offshore sources. Amounts held in these accounts are readily convertible to other foreign currencies and can transact outside Zimbabwe. RTGS FCA accounts are electronic bank balances whose source of funds originate from bond notes and coins cash deposits and local sources. Amounts held in these accounts are not readily convertible to other foreign currencies and cannot transact outside Zimbabwe

Impairment allowance for "due from banks"
The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year end stage classification.

The Bank makes placements with local banks whose credit rating is assessed on a yearly basis by the Global Credit Rating Company (GCR). The amounts presented are gross of impairment allowances. To cover itself from risk, the Bank takes security in the form of Treasury Bills for placements made. Despite the security, there has been no history of loss on placements to inform a probability of default (PD). Moreover, the loss given default (LGD) will be nil because of the security.

		2018 US$			2017 US$
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Performing					
High grade	-	-	-	-	-
Standard grade	269 697 010	-	-	269 697 010	36 245 891
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing				-	
Individually impaired	-	-	-	-	-
Total	**269 697 010**	**-**	**-**	**269 697 010**	**36 245 891**

7 INVESTMENT SECURITIES

	2018 US$	2017 US$
At 1 January	315 786	51 513
Additions	-	-
Net gain through profit or loss	(1 732)	264 273
At 31 December	**314 054**	**315 786**

Changes in fair value of investment securities are presented as non-cash adjustments to cash flows from operating activities in the statement of cash flows. Changes in fair values of investment securities are recorded in statement of profit or loss and other comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market, the Zimbabwe Stock Exchange (ZSE).

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 US$	(Restated) 2017 US$
At 1 January	9 556 537	7 518 492
Additions	453 542	1 684 462
Net fair value gains on financial assets at fair value through other comprehensive income	(2 946 987)	353 583
At 31 December	**7 063 092**	**9 556 537**

Financial assets at fair value through other comprehensive income include the following;

	2018 US$	2017 US$
Unlisted securities:		
Equity securities - Zimbabwe	2 586 641	2 009 355
Equity securities - Botswana	4 476 451	7 547 182
	7 063 092	**9 556 537**

Net fair value gain on financial assets at fair value through other comprehensive income are all denominated in the US dollar.

9 TREASURY BILLS AND OTHER FINANCIAL ASSETS

	2018 US$	2017 US$
Treasury bills as substitution for debt instruments	22 697 405	15 940 516
Capitalisation treasury bills	162 987 440	20 411 154
Treasury bills acquired from the market	8 500 000	5 440 352
Accrued interest	3 012 031	660 795
	197 196 876	**42 452 817**

It is the Group's intention to hold these Treasury Bills to maturity and use these financial assets as collateral in raising money market deposits.

9.1 Assets pledged as collateral

The nature and carrying amounts of the assets pledged as collateral are as follows:

	Assets		Related liability	
	2018 US$	2017 US$	2018 US$	2017 US$
Treasury bills	6 152 867	27 902 450	22 494 305	22 494 305
Current	**6 152 867**	**27 902 450**	**22 494 305**	**22 494 305**

Assets pledged as collateral are financial assets purchased or acquired which are subsequently pledged as collateral for fixed deposits and bankers acceptances from other financial institutions.

10 LOANS AND ADVANCES TO CUSTOMERS

	2018 US$	(Restated) 2017 US$
Individual		
- term loans and mortgages	15 638 348	5 993 776
Corporate		
- corporate customers	33 083 143	49 913 025
Gross loans and advances to customers	48 721 491	55 906 801
Less: allowance for impairment (Note 10.1)	(3 306 234)	(2 176 440)
Net loans and advances to customers	**45 415 257**	**53 730 361**
Current	25 443 823	24 357 880
Non-current	19 971 434	29 372 481
	45 415 257	**53 730 361**

10.1 Loan impairment charge

Stage 1-12 Month Expected Credit Loss Allowance charge	721 234	-
Stage 2- Lifetime Expected Credit Loss Allowance not credit impaired	37 750	-
Stage 3- Lifetime Expected Credit Loss Allowance credit impaired	2 547 249	-
Net loan impairment loss	**3 306 234**	**2 176 440**

Adoption of IFRS 9 on 1 January 2018 came with a 3 stage impaired approach for financial assets as opposed to IAS 39 which required collective and specific impairment charge. This has necessitated the change in presentation of the impairment charge as at 31 December 2018, while the one for 31 December 2017 is maintained as is since the Bank elected not to restate the comparatives in line with the provision of IFRS 9.

10.1.1 Maturity analysis of loans and advances to customers

	2018 US$	2017 US$
Up to 1 month	7 965 005	7 116 301
Up to 3 months	472 257	306 608
Up to 1 year	17 006 561	16 934 970
Up to 3 years	4 373 997	24 456 666
Up to 5 years	10 160 642	2 083 198
Later than 5 years	5 436 794	2 832 618
	45 415 257	**53 730 361**

10.1.2 Analysis of ECL in relation to loans and advances as at 31 December 2018

	2018 Stage1	Stage 2	Stage 3	Total	2017 IAS 39 Total
					55 906 801
Loans and advances subject to Stage 1:12 month ECL	39 760 398	-	-	39 760 398	
Loans and advances subject to Stage 2:Life ECL not credit impaired		866 549	-	866 549	
Loans and advances subject to Stage 3:Life ECL credit impaired			8 094 544	8 094 544	
Gross loans and advances	**39 760 398**	**866 549**	**8 094 544**	**48 721 491**	**55 906 801**
Less impairment allowances					(2 176 440)
Stage 1:12 month ECL	(721 235)			(721 235)	-
Stage 2:Life ECL not credit impaired		(37 750)		(37 750)	
Stage 3:Life ECL credit impaired			(2 547 249)	(2 547 249)	
Net Loans and advances to client	**39 039 164**	**828 799**	**5 547 295**	**45 415 258**	**53 730 361**

Sectorial analysis of loans and advances to customers	**Percentage (%)**	**2018 US$**	**Percentage (%)**	**2017 US$ (Restated)**
Manufacturing	4%	1 970 143	3%	1 545 202
Retail	2%	788 983	1%	744 745
Agro processing	0%	122 145	0%	116 343
Mining	5%	2 567 382	0%	104 359
Financial services	6%	3 019 871	6%	3 316 984
Transport	1%	345 279	1%	451 851
Tourism and hospitality	10%	5 057 280	8%	4 458 309
Telecommunications	1%	432 982	1%	1 494 486
Construction	1%	839 762	1%	700 000
Energy	31%	15 107 239	54%	30 211 036
Mortgages	13%	6 340 898	9%	4 952 778
Individuals and other services	25%	12,129,527	14%	7 810 708
Gross value of loans and advances	100%	48 721 921	100%	55 906 801
Less allowance for impairment		(3 306 234)		(2 176 440)
		45 415 257		**53 730 361**

11 OTHER RECEIVABLES AND PREPAYMENTS

	2018 US$	**(Restated) 2017 US$**
Receivables	6 143 352	3 258 859
Less: allowance for impairment	(197 956)	(197 956)
Net receivables	**5 945 396**	**3 060 903**
Prepayments	2 710 610	1 400 599
	8 656 006	**4 461 502**
Current	**8 656 006**	**4 461 502**

12 INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES

The Group enters into business arrangement with various entities/parties noteably in the area of housing development. Judgement is applied in the assessment of the underlying agreements so as to determine whether the arrangements result in subsidiaries, joint operations, joint ventures or associates. Notes 2.3 (a) – (e) describe the Group's accounting policies on how these business arrangements are evaluated.

12.1 Investment in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group as at 31 Dec 2018 %	as at 31 Dec 2017 %
Waneka Properties (Private) Limited	Property development	Zimbabwe	70	70
Manellie Investments (Private) Limited	Agriculture	Zimbabwe	100	100
Norton Medical Investments (Private) Limited	Medical services	Zimbabwe	60	60
Hwange Empumalanga West Housing Project	Property development	Zimbabwe	90	90
Kariba Housing Development Project	Property development	Zimbabwe	90	90
Mazvel Investments (Private) Limited	Property development	Zimbabwe	51	51
Samukele Lodges	Hospitality	Zimbabwe	100	-
Changamire Inkosi	Property investment	Zimbabwe	60	-
Special purpose entities				
Clipsham Views Housing Project	Joint operation	Zimbabwe	83	56

The Bank entered into a joint operation with Gorge Safaris (Private) Limited and Gorge Holdings (Private) Limited (the Developers) and formed an unincorporated vehicle Clipsham Views Housing Project to undertake a housing development project in Masvingo worth $4.4 million. IDBZ and the Developers agree that the Parties shall, as members of the joint operation, jointly execute the development and construction of the roads, storm water drainage, water and electricity reticulation on Lot 2 of Clipsham Masvingo comprising approximately 691 units/stands of 1,500 square metres and 12 units/stands of 4,000square metres in extent and size, being a low density residential project. The project also includes 26 industrial, 3 hospitality, 24 institutional and 16 commercial stands with a total road network of approximately 23.7 kilometres.

Municipality of Kariba and IDBZ formed an unincorporated Project Vehicle named Kariba Housing Project for the sole purposes of carrying out the development and construction of offsite and onsite infrastructure of low, medium and high density suburbs in Kariba. The Bank is expected to inject $16.8 million cash into the project which translates to 100% of the total project cost. The Bank shall, however, cede a 10% ownership in the Project Vehicle in favour of Municipality of Kariba through a notional loan of $1.48 million to the Municipality of Kariba. IDBZ will therefore hold 90% interest in the Project Vehicle while Municipality of Kariba will hold a 10% interest.

Hwange Local Board and IDBZ formed an unincorporated Project Vehicle, Empumalanga West Housing & Waste Water Treatment Plant Rehabilitation Project for the sole purposes of carrying out the development of housing stands. The Bank is expected to inject $6.9 million cash into the project which translates to 100% of the total project cost. The Bank shall however cede a 10% ownership in the Project Vehicle in favour of Hwange Local Board through a notional loan of $842 083 and land worth $1 230 000. IDBZ will therefore hold 90% interest in the Project Vehicle while Hwange Local Board will hold a 10% interest.

Markaram Investments (Private)Limited and IDBZ formed an incorporated Project Vehicle, Mazvel Investment(Private) Limited for the sole purposes of carrying out the development of 119,2593 hectares of land.

Samukele Lodges
The Bank owns a 100% stake in Samukele Lodges. The Bank is mandated by the Act to invest in all forms of infrastructure. Samukele is in the tourism sector and operates lodges in Bulawayo and Harare.

Changamire Inkosi
The Bank owns a 60% shareholding in Changamire Inkosi. Changamire Inkosi owns a property in Harare which is used as a healthcare facility.

All subsidiaries have been consolidated in these financial statements.

12.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests. The amounts disclosed below do not reflect the elimination of intergroup transactions;

Name of subsidiary	Interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2018 %	2017 %	2018 US$	2017 US$	2018 US$	2017 US$
Waneka Properties (Private) Limited	30	30	(19 056)	5 614	104 974	124 030
Norton Medical Investments (Private) Limited	40	40	(2 332)	(3 497)	138 748	141 080
Hwange Empumalanga West Housing Project	10	10	-	-	520 014	1 230 000
Kariba Housing Development Project	10	10	-	-	1 321 987	-
Mazvel Investments (Private) Limited	49	49	(26 794)	(18 430)	3 873 206	3 881 570
Samukele Lodges	-	-	-	-	-	-
Changamire Inkosi	40	-	960	-	655 719	-
Total			**(47 222)**	**(16 313)**	**6 614 648**	**5 376 680**

12.3 Summarised financial information in respect of each of the Group's subsidiaries that have a material non-controlling interest is set out below.

The summarised financial information below represents amounts before intra-Group eliminations:

12.3.1 Waneka Properties (Private) Limited

	2018 US$	2017 US$
Current assets	492 917	413 433
Current liabilities	143 004	-
Equity attributable to owners of the Company	244 939	289 403
Non-controlling interests	104 974	124 030
Revenue	(53 961)	14 765
Expenses	(9 558)	(54)
Profit for the year	(63 519)	14 712
Profit attributable to owners of the Company	(44 463)	10 298
Profit attributable to non-controlling interests	(19 056)	4 414
Profit for the year	(63 519)	14 712
Dividend income	-	0
Total comprehensive income attributable to owners of the Company	(44 463)	13 098
Total comprehensive income attributable to owners of the non-controlling interests	(19 056)	5 614
Total comprehensive income for the year	(63 519)	18 712
Dividends paid to non-controlling interests	-	-
Net cash (out)/inflow from operating activities	(63 519)	70 276
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash (outflow)/inflow	(63 519)	70 276

12.3.2 Norton Medical Investments (Private) Limited

	2018 US$	2017 US$
Current assets	-	-
Non-current assets	860 000	860 000
Current liabilities	513 130	507 300
Non-current liabilities	-	-
Equity attributable to owners of the Company	208 122	211 620
Non-controlling interests	138 748	141 080
Revenue	-	-
Expenses	(5 830)	(8 743)
Loss for the year	(5 830)	(8 743)
Loss attributable to owners of the Company	(3 498)	(5 246)
Loss attributable to non-controlling interests	(2 332)	(3 497)
Other comprehensive loss for the year	(5 830)	(8 743)
Total comprehensive loss attributable to owners of the Company	(3 498)	(5 246)
Total comprehensive loss attributable to owners of the non-controlling interests	(2 332)	(3 497)
Total comprehensive loss for the year	(5 830)	(8 743)
Dividends paid to non-controlling interests	-	-
Net cash inflow/(outflow) from operating activities	-	-
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net cash inflow/(outflow)	-	-

12.3.3 Kariba Housing Development Project

	2018 US$	(Restated) 2017 US$
Current assets	13 317 315	3 096 728
Equity attributable to owners of the Company	11 897 882	3 096 728
Non-controlling interests	1 321 987	-

No income was earned during the financial year.

12.3.4 Mazvel Investments (Private) Limited

	2018 US$	2017 US$
Current assets	7 916 897	7 921 572
Equity attributable to owners of the Company	4 016 897	4 021 572
Non-controlling interests	3 900 000	3 900 000

No income was earned the financial year.

12.3.5 Hwange Empumalanga West Housing Project

	2018 US$	2017 US$
Current assets	6 097 397	7 908 657
Non-current assets	346 494	12 915
Equity attributable to owners of the Company	5 787 128	1 355 685
Non-controlling interests	643 014	1 230 000

No income was earned during the financial year.

12.3.6 Samukele Lodges

	2018 US$	2017 US$
Current assets	1 017	-
Current liabilities	344	-
Equity	575 012	-
Revenue	20 117	-
Expenses	(19 100)	-
Profit for the year before taxation	1 017	-
Income tax credit/expense	(344)	
Profit for the year after taxation	673	

12.3.7 Changamire Inkosi

	2018 US$	2017 US$
Current assets	2 400	-
Current liabilities	-	-
Equity attributable to owners of the Company	1 639 298	-
Non-controlling interests	992 000	-
Revenue	2 400	-
Expenses	-	-
Profit for the year	2 400	-
Profit attributable to owners of the Company	1 440	-
Profit attributable to non-controlling interests	960	-
Profit for the year	2 400	-
Dividend income	-	-
Total comprehensive income attributable to owners of the Company	1 440	-
Total comprehensive income attributable to owners of the non-controlling interests	960	-
Total comprehensive income for the year	2 400	-

12.4 Investment in joint operation

Clipsham Views Housing Project	2018 US$	2017 US$
Current assets	5 602 926	4 750 610
Non-current assets	-	-
Current liabilities	1 334 358	1 129 253
Non-current liabilities		
Equity attributable to owners of the Company	1 048 380	1 526 931
Non-controlling interests	-	-
Revenue	1 052 715	1 563 732
Expenses	(4 335)	(36 801)
Profit for the year	1 048 380	1 526 931
Profit attributable to owners of the Company	1 048 380	1 526 931
Profit attributable to non-controlling interests		
Other comprehensive profit for the year	-	-
Total comprehensive income attributable to owners of the Company	1 048 380	1 526 931
Total comprehensive income attributable to owners of the non-controlling interests		
Total comprehensive income for the year	1 048 380	1 526 931

12.5 Investment in associates

Details of the Group's material investment in associates at the end of the reporting period are as follows:

		Place of incorporation	Proportion of ownership interest and voting power held by the Group as at 31 Dec 2018 %	as at 31 Dec 2017 %
Africom Continental (Private) Limited	Information Communication Technology	Zimbabwe	7.16%	33.31%
Mosi oa Tunya Development Company (Private) Limited	Tourism and Hospitality	Zimbabwe	20.60%	20.60%

***On 31 October 2018, the Bank's shareholding was migrated from Africom Continental to Africom Holdings Limited (AFH) at a rate of 1 share for every 12.65172 shares held Africom Continental.

Summarised financial information in respect of the Group's material associate is set out below;

12.5.1 Africom Continental (Private) Limited

During 2018, a share consolidation at Africom Holdings level resulted in the migration of IDBZ's shareholding from Africom Continental (Private) Limited to Africom Holdings level. This resulted in the need to derecognise the investment in associate and recognise an investment at fair value through OCI.

The effective date of derecognition was 31 October 2018.

	2018 US$	2017 US$
Current assets	594 541	594 541
Non-current assets	4 649 040	4 649 040
Current liabilities	(2 450 027)	(2 450 027)
Non-current liabilities	-	-
Revenue	168 397	168 397
Loss for the year	(744 804)	(744 804)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(744 804)	(744 804)
Dividends received from associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of interest in Africom Continental (Private) Limited.

	2018 US$	(Restated) 2017 US$
Net assets of associate	2 793 554	2 793 554
Proportion of the Group's ownership interest	**33.31%**	**33.31%**
Carrying amount of the Group's interest	**930 533**	**930 533**

12.5.2 Mosi oa Tunya Development Company (Private) Limited

	2018 US$	2017 US$
Current assets	1 150 042	703 033
Non-current assets	14 529 672	-
Current liabilities	(8 664)	(8 664)
Non-current liabilities	(1 429 672)	(1 013 189)
Revenue	29 627	51 906
Loss for the year	(60 391)	(4 387)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(60 391)	(4 387)
Dividends received from associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of interest in Mosi oa Tunya Development Company (Private) Limited.

	2018 US$	2017 US$
Net assets of associate	14 241 378	14 300 000
Proportion of the Group's ownership interest	**20.60%**	**20.60%**
Goodwill	-	-
Carrying amount of the Group's interest	2 934 213	2 946 291

12.5.3 Share of losses of associates

	2018 US$	2017 US$
Balance as at 1 January	(1 783 637)	(1 621 184)
Loss for the year	(114 346)	(162 453)
Balance as at 31 December	**(1 897 983)**	**(1 783 637)**

Carrying amount of the investment in associates

	2018 US$	2017 US$
Balance as at 1 January	3 907 601	1 210 307
Acquisition of associates	-	2 946 291
Disposal of Africom Continental	(860 308)	-
Share of loss from associates	(113 443)	(248 997)
Balance as at 31 December	**2 933 850**	**3 907 601**

13 INVENTORIES

	2018 US$	2017 US$
Inventory - housing units	130 013	130 013
Inventory - serviced stands	12 094 492	3 978 495
Work in progress	11 432 289	11 942 811
Consumables and materials	100 460	43 552
	23 757 254	16 094 871
	23 757 254	**16 094 871**

Included in work in progress are land development costs for stands situated in Kariba, Mt Pleasant and Hwange. These are qualifying costs for capitalisation in accordance with IAS 2.

14 INVESTMENT PROPERTY

	2018 US$	2017 US$
Balance as at 1 January	13 393 573	9 380 000
Additions during the year	3 525 492	2 244 649
Disposals during the year	(27 000)	(21 077)
Net gain/(loss) from fair value adjustment : (loss)/profit on disposal	-	-
Net gain/(loss) from fair value adjustment : unrealised fair value loss	(1 062 065)	1 790 001
Balance as at 31 December	**15 830 000**	**13 393 573**
Analysis by nature		
Residential stands	-	2 240 000
Commercial and industrial properties	15 830 000	11 153 573
	15 830 000	**13 393 573**
No investment properties are pledged as collateral security for fixed term deposits. Included in the consolidated statement of profit or loss and other comprehensive income are the following amounts which relate to investment properties held by the Group.		
Rental income	**348 660**	**372 182**

Investment properties includes a number of commercial, industrial and residential properties that are leased to third parties. On average the leases contain a cancellable period of up to one year. Subsequent renewals are negotiated with the lessee.

The Group's investment properties were revalued as at 31 December 2017 by independent professionally qualified valuators who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

In computing values for the properties, reliance was placed principally on two methods; the Comparison approach and the Discounted Cash Flow (DCF) approach.

The Comparison approach entails using evidence of past sales of comparable properties, held under similar interest which are analysed on the basis of yield, rental return, voids and arrears. The obtained comparative statistics are then applied to the subject property being valued with adjustments made to cater for property specific peculiarities.

The Discounted Cash Flow (DCF) approach involves projecting rental income streams from the property into the future for a designated period which equates to the holding period of the asset. The future cash flows are then discounted to present day (valuation date) at an appropriate discount rate such as the cost of money, mortgage rate or yields of alternative but similar long term investments such as bonds to give a 'net present value'. This method has the merit of calculating all cash flows on a common time basis. The rent was projected forward for a period of 10 years and then discounted to present value using average of mortgage rates and corporate bonds in the market.

15 DEFERRED TAX ASSET

	2018 US$	2017 US$
The analysis of deferred tax asset is as follows:		
Unutilised tax loss	31 879	12 915

The deferred tax asset has arisen from the taxable operations of the Group's subsidiary, Mazvel Investments (Private) Limited.

16 PRIOR PERIOD ADJUSTMENT

Prior year figures were adjusted in respect of VAT liability on mostly management fees and rental income. The Bank was not recovering VAT on fees earned through monitoring government projects on the basis that these fees satisfied the definition of financial services which are exempt from VAT. Through liasion with the Zimbabwe Revenue Authority (ZIMRA), a determination was made that some of the Bank's transactions did not qualify for exemption for VAT since the Bank is administered under a separate Act, the IDBZ Act [Chapter 24:14].

As a consequence the Bank did not satisfy the definition of a bank as defined under the Finance Act. The Bank has since been included under the supervision purview of the Reserve Bank of Zimbabwe (RBZ) and now satisfies the definition of a bank per the Finance Act.

The matter became known during the 2017 financial year, however, a provision for the amount was omitted in the 2017 financial statements. The final figure was determined and settled through an audit conducted by ZIMRA and concluded in 2018. The effect of the correction on the financial results for the year ended 31 December 2017 are as follows:

	US$
Statement of profit or loss effect	
Increase in expenses	(1 207 650)
Income Tax effect	-
Decrease in profit	(1 207 650)
Statement of financial position impact	
Increase in Payables and other liabilities	-
Deferred tax impact	1 207 650
Decrease in net assets	-
	1 207 650

17 PROPERTY AND EQUIPMENT

Year ended 31 December 2018	**Land and buildings US$**	**Computer and office equipment US$**	**Motor vehicles US$**	**Fixtures and fittings US$**	**Capital work in progress US$**	**Total US$**
Opening net book amount	2 527 513	248 172	262 612	29 876	860 000	3 928 173
Additions	4 018 839	510 207	533 081	455 862	-	5 517 989
Impairment adjustment through profit/loss	-				-	-
Disposals	-	(520)	-	(270)	-	(790)
Depreciation charge	(67 688)	(159 174)	(121 773)	(90 724)	-	(439 359)
Net book amount	**6 478 663**	**598 685**	**673 920**	**394 744**	**860 000**	**9 006 013**
At 31 December 2018						
Cost	6 971 370	1 801 547	1 253 618	1 041 222	1 400 000	12 467 756
Accumulated depreciation and impairment losses	(492 707)	(1 202 862)	(579 696)	(646 478)	(540 000)	(3 461 743)
Net book amount	**6 478 663**	**598 685**	**673 922**	**394 744**	**860 000**	**9 006 013**
Year ended						
31 December 2017 (Restated)						
Opening net book amount	2 223 285	181 617	240 754	2 817	860 000	3 508 473
Additions	360 856	158 607	81 830	45 973	-	647 266
Impairment adjustment through profit/loss	-				-	-
Disposals	-	(3 709)	-	-	-	(3 709)
Depreciation charge	(56 628)	(88 343)	(59 972)	(18 914)	-	(223 857)
Net book amount	**2 527 513**	**248 172**	**262 612**	**29 876**	**860 000**	**3 928 173**
At 31 December 2017						
Cost	2 952 531	1 292 033	943 692	585 630	1 400 000	7 173 886
Accumulated depreciation and impairment losses	(425 018)	(1 043 861)	(681 080)	(555 754)	(540 000)	(3 245 713)
Net book amount	**2 527 513**	**248 172**	**262 612**	**29 876**	**860 000**	**3 928 173**

Property and equipment are subjected to impairment testing by comparing the carrying amounts at the reporting date, with the market prices quoted for similar assets and adjusted for different ages.

Depreciation expense of US$439 359 (2017: US$223 856) has been charged to operating expenses (Note 31).

18 INTANGIBLE ASSETS

	2018 US$	**(Restated) 2017 US$**
Computer Software		
Carrying amounts at beginning of year	155 824	14 105
Additions at cost	12 282	165 211
Accumulated amortisation	(43 028)	(23 492)
Balance at year end	**125 078**	**155 824**

The following useful lives are used in the calculation of amortisation:

Computer software 4 years

19 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital
150 000 000 ordinary shares with a nominal value of US$0,01.

The Directors are authorised to issue an unlimited number of preference shares as approved by Shareholders.

Issued share capital	Number of shares	Share capital US$	Share premium US$	Amounts Awaiting Allotment US$	Total US$
At 1 January 2018	4 462 090	44 620	8 934 396	-	8 979 016
Issue of shares	2 066 100	20 661	22 851 336	130 000 000	152 871 997
Transfer from share premium to non-distributable reserves	-	-	-		-
At 31 December 2018	**6 528 190**	**65 281**	**31 785 732**	**130 000 000**	**161 851 013**
At 1 January 2017	4 462 090	44 620	8 934 396	-	8 979 016
Issue of shares	-	-	-	-	-
At 31 December 2017	**4 462 090**	**44 620**	**8 934 396**	**-**	**8 979 016**

Rights issue
2 066 100 shares were issued pursuant to rights issue by the Group to ordinary Shareholders during the year at a par value of $0.01 per share. The rights issue was with $2 872 886 cash and $150 000 000 worth of Treasury Bills. Of the amount raised, $22 872 886 was allotted as at 31 December 2018 and $130 000 0000 remained in Amounts Awaiting Allotment.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

20 NON-DISTRIBUTABLE RESERVE

The reserve arose from the net effect of restatement of assets and liabilities previously denominated in the Zimbabwe dollar to the United States Dollars following the introduction of the multi-currency regime in the Zimbabwean economy on 1 January 2009. The reserve is negative because at the time of conversion the Group's liabilities, fairly valued, exceeded that of its assets.

21 PREFERENCE SHARE CAPITAL

The preference shares are 5% non-cumulative, non-redeemable and paid up preference shares with a par value of US$100.00 per share. A dividend is payable at the discretion of Directors and is paid out of distributable profits.

No dividend has been declared during the financial year.

Issued preference share capital	Number of shares	Preference share capital US$	Total US$
At 1 January 2018	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2018	**382 830**	**38 283 003**	**38 283 003**
At 1 January 2017	382 830	38 283 003	38 283 003
At 31 December 2017	**382 830**	**38 283 003**	**38 283 003**

22 DEPOSITS FROM CUSTOMERS

Deposits from customers are primarily comprised of amounts payable on demand and term deposits.

	2018 US$	(Restated) 2017 US$
Large corporate customers	32 527 560	42 289 050
Retail customers	2 639 211	3 629 509
	35 166 771	**45 918 559**

22.1 Maturity analysis of deposits from customers

Up to 1 month	24 474 044	18 480 893
Up to 3 months	10 599 282	27 348 308
Above 6 months	93 445	89 358
	35 166 771	**45 918 559**

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. The fair value of the deposits approximate the fair value due to their short tenure.

22.2 Sectorial analysis of deposits from customers

	2018		(Restated) 2017	
	Percentage (%)	US$	Percentage (%)	US$
Financial markets	0%	-	26%	11 843 014
Fund managers and pension funds	0.4%	151 857	21%	9 530 244
Individuals	8%	3 033 136	1%	429 388
Government and public sector institutions	37%	13 392 426	40%	18 440 641
Other services	51%	18 589 332	12%	5 675 272
	100%	**35 166 771**	**100%**	**45 918 559**

23 LOCAL LINES OF CREDIT AND BONDS

	2018 US$	(Restated) 2017 US$
Bonds	47 562 251	61 036 467
Lines of credit	289 939 439	23 175 271
Total	**337 501 690**	**84 211 738**
Current	24 337 126	21 785 700
Non-current	313 164 564	62 426 038
	337 501 690	**84 211 738**

The movement in the balances during the year was as follows;

	Bonds 2018 US$	Lines of credit 2018 US$	Bonds 2017 US$	Lines of credit 2017 US$
At 1 January	61 036 467	23 175 271	50 499 337	6 368 967
New issues/funding	16 330 429	458 621 481	26 897 648	102 429 815
Repayments/disbursements	(29 804 645)	(191 857 313)	(16 360 518)	(85 623 511)
At 31 December	**47 562 251**	**289 939 439**	**61 036 467**	**23 175 271**

Lines of credit and bonds are recognised initially at fair value, net of transaction costs incurred. Lines of credit and bonds are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

24 OTHER LIABILITIES

24.1 Provisions and accruals

	2018 US$	2017 US$
Accruals	3 386 037	2 956 255
Provision for outstanding employee leave	248 983	201 408
Dividend payable	245 040	245 040
Value Added Tax liability	23 351	1 207 650
Projects accounts payable	3 627 421	-
Deferred income	458 386	129 959
Other	5 641 345	539 842
	13 630 563	5 280 154
Current	**13 630 563**	**5 280 154**

24.2 Provision for outstanding employee leave

Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the reporting period and the charge is recognised in the statement of comprehensive income within "employee benefit costs" (Note 32.1).

	2018 US$	2017 US$
Balance at 1 January	201 408	170 904
Net reversals during the year	47 575	30 504
Balance as at 31 December	**248 983**	**201 408**

25 NET INTEREST INCOME

25.1 Interest and related income:

Loans and advances to large corporates	3 397 654	5 972 821
Treasury bills and other financial assets	5 089 135	2 732 548
Placements with local banks	756 852	543 923
Mortgages	591 208	358 057
Cash and bank balances	3 921 186	523 054
	13 756 036	**10 130 403**

25.2 Interest and related expense:

Deposits from large corporates	(1 429 456)	(1 971 902)
Deposits from individuals	-	(21 469)
Bonds	(4 384 143)	(4 620 017)
	(5 813 599)	(6 613 388)

26 SALES

	2018 US$	2017 US$
Property sales	4 700 032	6 104 829
Cost of construction of property	(2 933 106)	(3 795 529)
Gross profit	**1 766 926**	**2 309 300**

Sales of housing stands were recorded on New Marimba medium density project and Clipsham Views Housing Project.

27 FEE AND COMMISSION INCOME

	2018 US$	2017 US$
Advisory and management fees	3 366 884	2 357 336
Capital raising fees	-	-
Banking service fees	131 683	148 211
Credit related fees	5 501	227 920
	3 504 068	**2 733 467**

28 NET GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed equity securities (Note 7)	(1 732)	264 273

29 OTHER INCOME

Rental income	348 660	372 182
Other operating income	2 433	368 737
Profit/(loss) on fixed assets disposal	-	(2 976)
Bad debts recovered	-	343 407
Sundry income	2 433	28 306
	1 265 647	**740 919**

30 FAIR VALUE LOSS ON INVESTMENT PROPERTY

Loss on disposal of investment property	-	-
Unrealised gain/(loss) from fair value adjustment of investment property	(1 062 065)	1 790 001
	(1 062 065)	**1 790 001**

31 NET FOREIGN EXCHANGE GAINS/(LOSSES)

Net realised gains from foreign currency trade	428	53 170
Net unrealised gains/(losses) from translation of foreign currency balances	(9 795)	335
	(9 367)	**53 505**

32 OPERATING EXPENSES

	2018 US$	(Restated) 2017 US$
Repairs and maintenance	399 973	247 548
Employee benefit costs (Note 32.1)	8 196 867	6 283 222
Telecommunication and postage	60 731	34 806
IT and software costs	484 241	266 882
Directors remuneration:		
- for services as directors	197 186	250 076
Operating lease payments	382 287	53 104
Water, electricity and rates	97 754	90 463
Professional fees	523 202	288 307
Audit fees	139 150	114 540
Depreciation	439 359	223 856
Amortisation	43 028	23 492
Fuel and lubricants	52 215	37 235
VAT charges accrued (prior period error - Note 16)	-	1 207 651
Business travel	188 449	219 479
Marketing and public relations	384 013	345 194
Insurance and security	277 126	422 604
Subscriptions	220 752	89 650
Printing and stationery	118 231	77 928
Bank charges	92 006	66 979
Staff training	66 321	71 867
Refreshments	41 656	27 169
Other administrative costs	451 045	873 747
	12 855 592	**11 315 799**

32.1 Employee benefit costs

Salaries and bonuses	6 025 266	4 925 563
Pension costs	776 015	628 736
Post employment medical benefits	249 710	213 627
Leave pay expense	341 883	264 304
Retrenchment expenses	-	2 955
Other staff expenses	803 994	248 037
	8 196 867	**6 283 222**

Post employment benefits
Pension Fund
The Group operates a defined contribution plan for all permanent employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are paid to a separately administered fund on a mandatory basis. Contributions to this fund are charged against income when incurred. The Group has no further obligations once the contributions have been paid.

Contributions during the year	**672 697**	**542 658**

National Social Security Authority Scheme
The Group and all its employees contribute to the National Social Security Authority Scheme, which was promulgated under the National Social Security Act (Chapter 17:04). The Group's obligations under the scheme are limited to specific contributions legislated from time to time.

Contributions during the year	**103 318**	**86 079**

33 TAXATION

Income tax expense		
Current tax credit	(344)	-
Deferred tax	18 964	(12 915)
Tax credit	**18 620**	**(12 915)**

Reconciliation of income tax credit		
Based on results for the period at a normal rate of 25.75%		
Arising due to:		
Accounting loss	(72 629)	(50 341)
Tax credit at 25.75%	(18 702)	(12 963)
Non-deductible expenses	82	48
Non-taxable income	-	-
Tax rate differential on capital gains	-	-
Tax credit	**(18 620)**	**(12 915)**

34 EARNINGS PER SHARE

Basic and diluted loss per share
Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Bank by the number of ordinary shares in issue during the year. No dilutive instruments were held during the year. (2017: US$nil)

The calculation of basic earnings per share at 31 December was based on the following:

Profit/(loss) attributable to equity holders	861 732	(564 918)
Weighted average number of issued ordinary shares	6 528 190	4 462 090
Basic profit/(loss) per share (US cents)	**13**	**(13)**

35 CONTINGENCIES

a) Contingent liability on a litigation case

The Group is involved in a case where Engen Petroleum Zimbabwe (Private) Limited made a claim against Wedzera Petroleum (Private) Limited as first defendant and Infrastructure Development Bank of Zimbabwe (IDBZ / the Bank) as second defendant for payment of the sum of USD847,848 in respect of fuel supplied to Wedzera on the back of guarantee purportedly issued by IDBZ.

The bank guarantee was attained fraudulently hence it has no binding effect on the Bank. At the conclusion of the trial at the High Court of Zimbabwe, a judgment dated 15 April 2016 was entered against Wedzera Petroleum and IDBZ imputing joint and several liability on the Bank to pay USD847,848 per the purported guarantee. IDBZ appealed against the judgment of the High Court to the Supreme Court thus effectively staying execution of the High Court judgment. The Bank's appeal is on the basis that the guarantees relied upon by Engen were invalid by virtue of them having been fraudulently procured. The appeal hearing was held on 23 May 2017 and judgment was reserved.

b) Contingent assets

The Group, through its loan recovery efforts, foreclosed on agricultural farms in Matebeleland with an approximate fair value of US$1,050,000. However, there have been severe challenges in obtaining vacant possession of the agricultural farms due to circumstances beyond the Group's control, whether legal or otherwise.

As such, no economic benefits are yet to be derived from the agricultural farms and hence, the Group has not recognised these assets in the financial statements.

A contigent asset has been recognised in anticipation of receipt of compensation with respect to the loss of control of the land.

36 COMMITMENTS

Loan commitments, guarantees and other financial facilities
At 31 December 2017, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

	2018 US$	2017 US$
Loan commitments	**922 837**	**38 519**

Operating lease commitments
The Group leases premises and lease terms are for five years which are renewable at the end of the lease period. The future aggregate minimum lease payments under non-cancellable leases are as follows:

No later than 1 year	**45 838**	**33 512**

The lease rentals are renegotiated annually in January.

37 FUNDS UNDER MANAGEMENT

	2018 US$	(Restated) 2017 US$
Government funds under management		
The Government of Zimbabwe disburses, through the Group, fiscal allocations to parastatals and government infrastructure projects. The funds are being managed by the Group for a fee and with no credit risk residual to the Group.		
Held on behalf of:		
Government of Zimbabwe	294 903 252	288 464 825
Represented by:		
Sinking fund	-	-
Amounts awaiting disbursement	294 903 252	35 706 757
	294 903 252	**288 464 825**

38 RELATED PARTIES

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

Identity of related parties
The Bank has a related party relationship with its major Shareholders, associates and key management personnel.

The following transactions were carried out with related parties:
A number of banking transactions are entered into with related parties in the normal course of business. For the year ended 31 December 2018, these included:

a) **Sales and purchases of goods and services**
There were no sales and purchases of goods and services with any related parties.

b) **Key management compensation**
Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2018 US$	2017 US$
Salaries and other short term employee benefits	1 011 953	942 423
Post-employment benefits	47 658	45 311
Termination benefits	-	-
Total	**1 059 611**	**987 734**

c) **Loans and advances to related parties**

	Directors and other key management personnel 2018 US$	Associated companies 2018 US$	Directors and other key management personnel 2017 US$	Associated companies 2017 US$
Loans outstanding at 31 December	1 165 798	-	1 023 941	-
Interest income earned	**61 373**	**-**	**44 267**	**-**

No allowance for impairment was required in 2018 (2017: US$ nil) for the loans made to key management personnel. The loans issued to Directors and other key management personnel are unsecured, carry fixed interest rates and are payable on reducing balance.

d) Deposits from related parties

	Directors and other key management personnel 2018 US$	Associated companies 2018 US$	Directors and other key management personnel 2017 US$	Associated companies 2017 US$
Deposits at 31 December	1 019	-	869	-
Interest expense on deposits	**-**	**-**	**-**	**-**

The above deposits are unsecured, carry fixed interest rates and are repayable on maturity date.

e) Director's shareholdings
As at 31 December 2018, the Directors did not hold directly and indirectly any shareholding in the Group.

39 EVENTS AFTER THE REPORTING DATE

Introduction of the RTGS Dollar
On the 22 February 2019, a Statutory Instrument 32 of 2019 (S.I 32/19), was issued as an amendment to the Reserve Bank of Zimbabwe Act that introduced a new currency called the RTGS Dollar. An Exchange Control Directive RU 28 of 2019 was also issued on the same day which introduced an interbank exchange rate for the RTGS Dollar to the US$ as well as other existing currencies in the multi-currency regime. In addition, Statutory Instrument 33 of 2019 (S.I 33/19) was issued on 22 February 2019. S.I 33/19 makes reference to the following matters among other key provisions:

- That the RBZ has, with effect from 22 February 2019 (effective date) issued an electronic currency called the Real Time Gross Settlement (RTGS) dollar;
- RTGS balances expressed in US$ immediately before 22 February 2019, shall from the effective date be deemed to be opening balances in RTGS dollar at par with the US$;
- That the RTGS dollar shall be legal tender within Zimbabwe from the effective date;
- For accounting and other purposes, all assets and liabilities that were valued and expressed in US$ immediately before 22 February 2019 shall be deemed to be values in RTGS dollars at rate of one-to one to the USD;
- That after the effective date any variance from the opening parity rate shall be determined from time to time by the rate at which authorised dealers under the Exchange Control Act exchange the RTGS dollar for the United States dollar on a willing-seller willing-buyer basis; and
- That every enactment in which an amount is expressed in USD shall, on the and after effective date, be construed as reference to the RTGS dollar, at parity with the USD, that is to say, at a one-to-one rate.

Based on the foregoing, and the assessment done by the Bank, its functional currency has legally changed to RTGS Dollar prospectively (2019 onwards). As disclosed in Note 2.23.2, the Bank thinks that the introduction of the RTGS Dollar as a currency with an exchange rate to the USD is a material post year end event that might point to conditions existing at year end. The Bank analysed its cost structure in the last quarter of 2018 with a view of assessing the impact of the price volatility witnessed in the last quarter of 2018. The Bank is of the opinion that it serves the users of the financial statements better to maintain the reporting and the functional currency of the Bank as the USD for the entire duration of 2018. The change in functional currency is therefore a post year end adjustment that has effect from 1 January 2019.

40 GOING CONCERN

The Group's operations have been significantly affected and may continue to be affected by the challenging environment, particularly the lack of liquidity in the Zimbabwean economy. However, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In the current year, the Group has made a profit of $0.8 million (2017: loss of US$0.6 million), which has resulted in an accumulated loss of

US$2.9 million (2017: [restated] of US$2.4 million).

In addition, Section 32 of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14), stipulates that the Bank cannot be wound up except by or under the authority of an Act of the Parliament of Zimbabwe.

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

41. THE BANK'S REGULATORY CAPITAL POSITION AS AT 31 DECEMBER

	2018 US$	2017 US$
Issued and paid ordinary share capital and share premium	200 134 016	47 262 019
Retained earnings	(2 863 414)	(2 387 714)
Fair value gain on investment properties	(1 062 065)	1 790 001
	196 208 537	**46 664 306**
Less: capital allocated for market and operational risk	19 555 182	61 815 440
Credit to insiders	705 932	1 058 884
Tier 1 capital	**216 469 651**	**109 538 630**
Tier 2 capital (subject to limit as per Banking Regulations)	5 670 976	5 498 284
Revaluation reserve	374 857	3 321 844
Regulatory reserve (limited to 1.25% of risk weighted assets)	1 989 886	-
Portfolio provisions (limited to 1,25% of risk weighted assets)	3 306 234	2 176 440
Tier 1 & 2 capital	**222 140 627**	**115 036 914**
Tier 3 capital (sum of market and operational risk capital)	**(19 555 182)**	**(61 815 440)**
Total capital base	**202 585 445**	**53 221 474**
Total risk weighted assets	**216 997 729**	**84 330 827**
Tier 1 ratio	99.76%	129.89%
Tier 2 ratio	2.61%	6.52%
Tier 3 ratio	-9.01%	-73.30%
Total capital adequacy ratio	93.36%	63.11%
RBZ minimum required	12.00%	12.00%

42. SENSITIVITY OF THE STATEMENT OF THE FINANCIAL POSITION TO APPLICATION OF DIFFERENT EXCHANGE RATES

As disclosed in note 2, note 5 and note 40, the functional currency of most reporting entities domiciled in Zimbabwe has become a matter of significant judgement. The Public Accountants and Auditors Board (PAAB) came up with recommended disclosures to provide the users of financial statements with more information assuming the application of different exchange rates to elements disclosed on the statement of financial position. The Bank has split its Nostro USD valued assets and liabilities from the assets and liabilities held/contracted in local RTGS balances.

Assumptions:

The Bank applied the following assumptions in coming up with this disclosure:

- Nostro refers to the international USD that is tradable on international markets
- An additional rate of RTGS$4/USD was applied in coming up with the sensitivity analysis. The rate is believed to be the parallel market rate prevailing at 31 December 2018.
- Although share capital is denominated in Nostro USD following adoption of USD in 2009, it is assumed to be in RTGS dollars. The same applies to all other reserves not withstanding that they were accumulated in a Nostro USD environment.
- The difference between net assets and the resultant equity at translation (the balancing figure) has been treated as a translation reserve in equity.
- Non-monetary assets are ordinarily translated at the spot rate at date of purchase. The assumed spot date is 31 December 2018
- Investment properties were valued strictly using nostro USD as a reference point. They have been treated as nostro USD assets.
- FVOCI assets are foreign domiciled and they are valued in nostro USD.

Element	Note	Monetary Assets/Liabilities Nostro USD	Monetary Assets/Liabilities RTGS USD	Non-Monetary Assets/ Liabilities Nostro USD	Non-Monetary Assets/ Liabilities RTGS USD	Total RTGS @1:1	Total RTGS @1:2.5	Total RTGS @1:4
ASSETS	**Note**	**A**	**B**	**C**	**D**	**E[1]**	**F[2]**	**G[3]**
Cash and bank balances	6	15 848	279 920 734	-	-	279 936 582	111 984 142	69 996 032
Inventories	13	-	-	-	23 757 251	23 757 251	9 502 900	5 939 313
Other receivables and prepayments	11	-	8 656 006			8 656 006	3 462 403	2 164 002
Loans and advances to customers	10	-	45 415 257	-	-	45 415 257	18 166 103	11 353 814
Investment securities	7	-	314 054	-	-	314 054	125 622	78 514
Financial assets at fair value through other comprehensive income	8	-	-	4 476 451	2 586 641	7 063 092	5 511 107	5 123 111
Treasury bills and other financial assets	9	-	191 044 009	-	-	191 044 009	76 417 604	47 761 002
Assets pledged as collateral	9	-	6 152 867	-	-	6 152 867	2 461 147	1 538 217
Investment in associates	12.5	-		-	2 933 850	2 933 850	1 173 540	733 463
Investment property	14	-	-	15 830 000	-	15 830 000	15 830 000	15 830 000
Intangible assets	18	-	-	-	125 078	125 078	50 031	31 270
Property and equipment	17	-	-	-	9 006 013	9 006 013	3 602 405	2 251 503
Deferred taxation	33	-	-	-	31 879	31 879	12 751	7 970
Total assets		**15 848**	**531 502 928**	**20 306 451**	**38 440 712**	**590 265 941**	**248 299 756**	**162 808 210**
EQUITY AND LIABILITIES								
LIABILITIES								
Deposits from customers	22	1 597	35 165 174	-	-	35 166 771	14 067 667	8 792 891
Local lines of credit and bonds	23	-	337 501 690	-	-	337 501 690	135 000 676	84 375 422
Other liabilities	24	-	13 630 563	-	-	13 630 563	5 452 225	3 407 641
Total liabilities		**1 597**	**386 297 426**	**-**	**-**	**386 299 024**	**154 520 568**	**96 575 954**
EQUITY								
Share capital	19	-	-	-	65 281	65 281	26 112	16 320
Share premium	19	-	-	-	31 785 732	31 785 732	12 714 293	7 946 433
Non distributable reserve	20	-	-	-	(256 617)	(256 617)	(102 647)	(64 154)
Amounts Awaiting Allotment		-	-	-	130 000 000	130 000 000	52 000 000	32 500 000
Preference share capital	21	-	-	-	38 283 003	38 283 003	15 313 201	9 570 751
Fair value reserve		-	-	-	631 474	631 474	252 590	157 868
Accumulated losses		-	-	-	(2 863 414)	(2 863 414)	(1 145 366)	(715 853)
Foreign currency translation reserve - Balancing figure		-	-	-	-	-	***12 192 422***	***15 240 527***
Equity attributable to equity owners of the Group		-	-	-	**197 645 459**	**197 645 459**	**91 250 605**	**64 651 892**
Non-controlling interest in equity		-	-	-	6 321 458	6 321 458	2 528 583	1 580 364
Total Shareholders' equity		-	-	-	**203 966 916**	**203 966 917**	**93 779 188**	**66 232 256**
Total equity and liabilities		**1 597**	**386 297 426**	-	**203 966 916**	**590 265 941**	**248 299 756**	**162 808 210**

1. E= A+B+C+D | 2. F= A+B/2.5+C+D/2.5 | 3. G= A+B/4+C+D/4

SHAREHOLDING STRUCTURE

Shareholder	Ordinary Shares		Preference Shares	
	Number	%	Number	%
Government of Zimbabwe	5 708 234	87.43770%	382 830	100%
Reserve Bank of Zimbabwe	819 955	12.55992%	0	0%
Fidelity Life Assurance Company of Zimbabwe Limited	12	0.00027%	0	0%
Finnish Fund for Industrial Cooperation Limited (Finnfund)	5	0.00011%	0	0%
African Development Bank (AfDB)	4	0.00009%	0	0%
German Investments and Development Company (DEG)	3	0.00007%	0	0%
European Investment Bank (EIB)	1	0.00002%	0	0%
Total	**6 528 124**	**100%**	**382 830**	**100%**

Infrastructure Development Bank of Zimbabwe

NOTICE TO Shareholders

34TH ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General Meeting of Members of the Infrastructure Development Bank of Zimbabwe (IDBZ) will be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Thursday, 27 June 2019 at 11:00 hours to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2018;
2. To approve the remuneration of the Auditors for the year ended 31 December 2018;
3. To confirm the appointment of Baker Tilly Chartered Accountants as Auditors of the Infrastructure Development Bank of Zimbabwe to hold office until the conclusion of the next Annual General Meeting;
4. To approve the remuneration of the Directors for the year ended 31 December 2018;
5. To transact any other business that may be transacted at the Annual General Meeting.

SPECIAL BUSINESS

SPECIAL RESOLUTION

6. To consider, and if deemed fit, to approve a Capital Raise for IDBZ in terms of which the Bank proposes to raise approximately $149 million from existing Shareholders through a Renounceable Rights Offer.

   Note: The terms of the Rights Offer will be communicated through a Circular to Shareholders to be issued in accordance Section 11 of the IDBZ Act *[Chapter 24:14]* and the Shareholders Regulations.

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged at the Registered Office of the Bank not less than 48 hours before the time appointed for the meeting.

By Order of the Board

K Kanguru

Bank Secretary **6 June 2019**

Registered Office:

99 Rotten Row

Harare, Zimbabwe

Telephone: +263 242 774 226/7, 750 171 - 8

Fax: +263 242 749012

Infrastructure Development Bank of Zimbabwe

PROXY FORM

I/WE………

of……..………

being the registered holder of ………………………………………………………………………………………………

Ordinary Shares in the Infrastructure Development Bank of Zimbabwe

hereby appoint ....…………………………………………………………………………………………………….

of……..

or, failing him, the Chairman of the meeting as my/our proxies, to vote for me/us and on my/our behalf at the **ANNUAL GENERAL MEETING** of the Bank to be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Thursday, 27 June 2019 commencing at 11:00 hours and at any adjournment thereof.

Signed this ………………. day of ………………………… 2019

Signature of Member ……………………………………

NOTE:

A member entitled to attend and vote at the meeting may appoint any person or persons to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged with the Secretary not less than forty-eight (48) hours before the time appointed for the meeting.

Registered Office:

99 Rotten Row

P O Box 1720

Harare, Zimbabwe

Tel: +263 242 774226/7, 750171-8

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Infrastructure Development Bank of Zimbabwe

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