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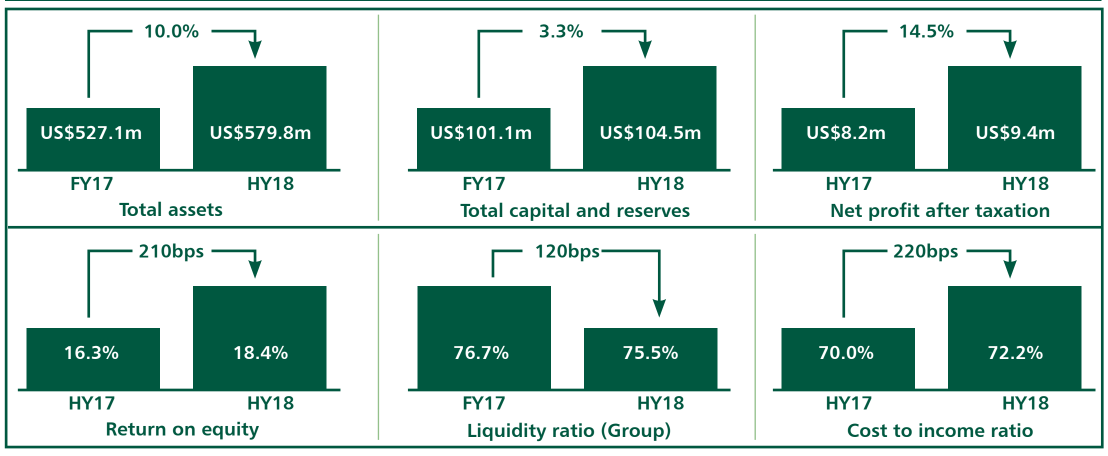
ZB FINANCIAL HOLDINGS

Reviewed Financial Results for the Half Year ended 30 June 2018

FINANCIAL HIGHLIGHTS



bps - Basis points

CHAIRMAN'S STATEMENT

A general resurgence in the productive sector has influenced widespread positive sentiment regarding the country's growth prospects, despite wide discrepancies in the projected levels. In its Global Economic Prospects Report for June, 2018, the World Bank revised its growth forecast for Zimbabwe to 2.7% in 2018 from its January forecast of 0.9%. The forecast is slightly ahead of the International Monetary Fund (IMF) forecast of 2.4% made in April 2018 as well as the Business Monitor International forecast of 1.9% contained in its research paper for the third quarter of 2018.

Meanwhile, the Zimbabwean government projects that the economy will grow at a much faster pace at 6% for 2018, ahead of the initial projection of 4.5%. This is expected to be driven by strong performance in the mining and agriculture sectors.

The economy has continued to grapple with a sub-optimal monetary system characterised by incessant shortages of cash and increasing backlogs in foreign currency remittances. Price distortions have therefore remained widespread resulting in increased cost pressure.

The country's inflation profile continued in positive territory during the period under review, coming in at 2.71% on a year-on-year basis as at 31 May, 2018. This positive profile has been sustained since February 2017 with the economy having previously gone for more than 2 years in deflation.

Performance on the Zimbabwe Stock Exchange was characterized by marked volatility during the half year ended 30 June 2018. There was substantial recovery in the second quarter resulting in a 2.9% growth in the industrial index on a year to date basis at 30 June, 2018. The market capitalization firmed by 4.02% to $10.5 billion.

The prevailing instability in the monetary environment presents both operational and value preservation challenges for business.

Half year results:

The Group's performance outturn for the half year ended 30 June, 2018 was ahead of the performance for the corresponding period in 2017.

The results are discussed in more detail by the Group Chief Executive in his report.

Dividend:

The Board has not declared a dividend for the half year ended 30 June 2018.

Significant issues:

Below is an update on significant matters affecting the Group:-

1. The Group has continued to address governance related matters identified by the Reserve Bank of Zimbabwe (RBZ) through a Corrective Order initially issued on 7 March, 2017. Details of the order are contained in note 14.2 to the interim financial statements. The RBZ have been consulted and kept informed on progress made.

2. The Board remains seized with discussions around finding a resolution to the long standing dispute between the Company and a shareholder, Transnational Holdings Limited regarding the ownership of a subsidiary entity, Intermarket Holdings Limited.

   This matter is the subject of a case that has remained outstanding at the Supreme Court of Zimbabwe since 2008.

Conclusion:

I would like to thank our staff and management, fellow board members, our clients, regulators and other stakeholders for the support rendered during the period under review.

Prof. C. Manyeruke
Chairman

07 August, 2018

GROUP CHIEF EXECUTIVE'S REPORT

Performance background:

Liquidity surplus conditions continued on the local market with the effect of keeping interest rates depressed. Meanwhile, the shortage of cash on the market has resulted in a substantial shift of business from traditional banking channels to electronic platforms with significant participation in transactional banking business by non-traditional players.

On the other hand, pricing distortions arising from multi-tier pricing structures occasioned by the shortage of both local cash and foreign currency to meet foreign remittances, have resulted in cost expansion pressure, pulling earnings margins down.

Performance outturn:

Total income for the Group increased by 12% from $34.5 million for the half year ended 30 June 2017 to $38.6 million for the half year ended 30 June 2018.

The increase is primarily driven by an expansion in net income from lending activities which increased by 39% as well as an increase in other operation income which increased by 14%.

Despite a 1% reduction in interest income from $13.3 million to $13.2 million, net interest income increased by 12% from $9.1 million to $10.2 million as interest paying liabilities re-priced faster than assets in an environment in which rates fell down.

The net income from lending activities, at $10.9 million in 2018 compared to $7.9 million in 2017, is enhanced by a net recovery from non-performing loans of $0.7 million, against a charge of $1.3 million in the corresponding period in 2017.

Net revenues from the Group's insurance activities remained flat at $4.9 million, with gross premiums having increased by 6% from $15.5 million for the half year ended 30 June 2017 to $16.5 million for the half year ended 30 June 2018. The increase in gross premiums was largely influenced by increased business outturn from the life assurance operations at 18% whilst the reinsurance premiums remained flat against the backdrop of reducing external business as foreign exchange risk became more amplified.

The 14% increase in other income from $20.1 million for the half year ended 30 June, 2017 to $22.9 million for the half year ended 30 June, 2018 was largely driven by a 14% increase in banking customers as well as a general increase in the number of transactions particularly through the electronic banking channels. Earnings from traditional channels have been sliding down.

The Group has also seen satisfactory traction in its advisory activities with 6% (2017 – 5%) of the other income having been mobilized from advisory and capital raising mandates for clients.

A net fair value loss of $0.05 million was posted during the period under review, compared to a profit of $1.6 million in the corresponding period in 2017. This result represents a significant recovery of portfolio value from a loss of $1 million in the first quarter of 2018.

A net debit of $0.5 million was posted to the statement of profit or loss during the period under review representing movements in the life fund. This corresponds to a debit of $1.3 million in the corresponding period in 2017.

The Group's operating profit increased by 11% from $9.4 million for the half year ended 30 June 2017 to $10.5 million for the half year ended 30 June, 2018. After provision for tax expenses, the net profit for the Group amounted to $9.4 million for the period compared to $8.2 million in 2017.

Total assets for the Group increased by 10% from $527.1 million as at 31 December, 2017 to $579.8 million as at 30 June, 2018. This follows a 19% increase in cash and short-term funds, a 20% increase in the treasury bills portfolio and a 59% increase in investment securities.

The net advances book however decreased by 7% from $105.0 million at 31 December, 2017 to $98.0 million at 30 June, 2018. The reduction reflects the combined effect of the adoption of a new International Financial Reporting Standard of Financial Instruments (IFRS 9) and the slow pace of loan asset creation as credit absorption in the productive sector remains low. IFRS 9 resulted in increased loan loss provisions with adjustments being made on opening balances.

Non-performing loans constituted 10.1% of the gross loans as at 30 June, 2018, an improvement from 10.7% reported at 31 December, 2017.

Earning assets were maintained at 77% between 31 December 2017 and 30 June 2018.

Deposits and related accounts increased by 13% from $347.1 million at 31 December, 2017 to $391.5 million at 30 June, 2018. This is in line with the liquidity supply patterns on the market. Notably, the contribution of retail type deposits has increased to 67% as at 30 June 2018 from 64% as at 31 December 2017, thus reducing recourse on expensive funding source.

The Group maintained a liquidity ratio above 70% throughout the period.

The Group's aggregate capital increased by 3.3% from $101.1 million as at 31 December, 2017 to $104.5 million at 30 June 2018. This is despite an IFRS 9 influenced net reduction of $2.2 million at the beginning of the year.

Capital preservation has become a key strategic focus area in an environment fraught with uncertainty.

Business Update:

International Business and Trade Finance:-

The Group is making satisfactory progress in re-establishing its international business with the following being key milestones.

a) The Group has now established four correspondent banking relationships through which it is now able to process international transactions of any currency.
b) Processes towards the readmission to the VISA platform are at an advanced stage. Substantial work has been completed in satisfying the Plastic Card Industry Data Security Standards (PCIDSS), a pre-requisite for VISA accreditation.
c) The Group has been able to mobilize a total of $30 million in lines of credit with regional banking partners. These facilities are expected to support productive sector recovery and stimulate export performance.

Infrastructure projects and property development:

Following the successful mobilization of $105 million under the Emergency Road Rehabilitation Fund ("ERRF") for the Zimbabwe National Roads Authority (ZINARA) in 2017, the Group has been retained to raise a further $150 million. Over $60 million has already been mobilized.

The Group is participating in national efforts to provide housing stock in order to reduce the national deficit in housing provision. Servicing of 708 high and medium density stands in Plumtree is currently in progress. Selling will commence during the second half of 2018.

Delivery channels and products:

The Group completed the refurbishment of its Mutare Branch in the first quarter of 2018. Official launch was done on 11 April, 2018. The refurbishment program is intended to modernize the Group's premises, introducing an ambience that promotes customer interactions.

A new sub-branch is scheduled for opening in Glendale by 31 August, 2018. This is in response to requests from an increasing number of customers in that community.

The Group launched a new partnership with Zympay on 4 July, 2018. This service will enable Zimbabweans living outside the country to pay for local services and products. This is expected to assist particularly with the payment of school fees to various schools.

The Group continues to review its presence throughout the country and will continue to make adjustments depending on customer needs and business rationale.

The Group is committed to developing products that fully deliver customers' needs. To this end, an audit of the current bucket of products is currently underway to reconcile the offering with clients' expectations.

In the meantime, the Hospital Cash Plan products were launched on 31 July 2018. This product suite comprises the Group Hospital Cash Plan for Group Business and the ZB Hospital Cash Plan together with the MoreCover Hospital Cash Plan for individuals.

Acknowledgements:

I would like to thank our valued customers for their support during the period under review. I would also like to thank staff and management for their outstanding efforts. My gratitude also goes to the Board for its wise counsel.

R Mutandagayi
Group Chief Executive

07 August, 2018

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Reviewed Financial Results for the Half Year ended 30 June 2018

AUDITOR'S STATEMENT

These condensed interim financial results for the six months ended 30 June 2018 have been reviewed by Deloitte & Touche and an unmodified review conclusion issued thereon. This conclusion, however, carries an Emphasis of Matter with respect to the following matters:

1. Valuation of capitalisation Treasury Bills
We draw attention to note 3 to the condensed consolidated financial statements which discusses the fact that the Government of Zimbabwe advanced a ten-year US$20 million loan to ZB Financial Holdings Limited, by way of treasury bills. The treasury bills ("capitalization Treasury Bills") were in turn used to recapitalise the Bank pursuant to a rights issue whereby the Bank issued 20 000 000 shares during the year at a par value of US$0.01 per share.

For financial reporting purposes, valuation intricacies ensued in regards to initial recognition and the subsequent measurement of the capitalisation Treasury Bills owing to the significant subjective management judgement required in the process due to the following:
a) lack of an active market to use as a reference point from which to draw a market value or a market discount rate for such an instrument; and
b) 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.

The valuation basis applied at 30 June 2018 is consistent with that applied at 31 December 2016 and 31 December 2017.

2. First time adoption of IFRS 9 "Financial Instruments"
As disclosed in note 1.5.1.2, the Group adopted IFRS 9 "Financial Instruments" with effect from 1 January 2018. The adoption of this standard fundamentally changed the Group's loan loss impairment methodology by replacing IAS 39's incurred loss approach with IFRS 9's forward-looking expected credit loss approach. The life assurance and reinsurance operations have opted to defer the adoption of IFRS 9 until the adoption of IFRS 17 "Insurance Contracts" in 2021. Financial assets held in these operations are therefore carried at levels determined in terms of IAS 39. The impact on consolidation is not considered material given that IFRS 9 affects predominantly the banking operations, which contribute the most to the Group's statement of financial position.

In addition, at 30 June 2018, the Group was yet to finalise its expected credit loss models, principally the probability of default (PD) models, the exposure at default (EAD) models, and the loss given default (LGD) models. Consequently, impairment calculations and the staging of facilities was performed whilst leveraging on the practical expediency provided for in IFRS 9. The final results of the modelling process may differ from current estimates made by management, although the differences are not anticipated to be material.

The review conclusion has been made available to management and those charged with the governance of ZB Financial Holdings Limited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
ASSETS			
Cash and cash equivalents		87 627 557	73 816 218
Money market investments		35 805 717	36 538 998
Treasury bills	3	187 153 759	155 945 191
Mortgages and other advances	4	97 983 231	104 970 338
Investment securities		58 327 998	36 713 113
Investments in associates		35 298 941	35 492 476
Inventories, trade and other receivables		8 524 706	14 184 717
Investment properties	5	29 971 963	29 971 963
Property and equipment	6	33 182 038	32 853 659
Intangible assets	7	5 950 790	6 599 836
Total assets		579 826 700	527 086 509
LIABILITIES			
Deposits and other accounts	8	391 474 020	347 105 859
Trade and other payables		35 773 051	30 134 215
Current tax liabilities		163 180	23 217
Deferred tax liabilities		1 278 621	2 936 466
Long term borrowings	9	14 291 458	13 942 891
Life assurance funds	10	32 361 107	31 811 327
Total liabilities		475 341 437	425 953 975
EQUITY			
Share capital		1 751 906	1 751 906
Share premium		27 081 696	27 081 696
Other components of equity		19 569 927	20 290 273
Retained income		35 777 033	30 886 792
Attributable to equity holders of parent		84 180 562	80 010 667
Non-controlling interests		20 304 701	21 121 867
Total equity		104 485 263	101 132 534
Total equity and liabilities		579 826 700	527 086 509

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 30 June 2018

	Note	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Interest and related income		13 189 587	13 340 718
Interest and related expenses		(2 955 389)	(4 193 388)
Net interest and related income		10 234 198	9 147 330
Net recoveries / (net loan impairment charges)	13.2.3	654 660	(1 291 843)
Net income from lending activities		10 888 858	7 855 487
Gross insurance premium income		16 491 044	15 512 867
Total insurance expenses		(11 619 388)	(10 579 330)
Net insurance premium income		4 871 656	4 933 537
Other operating income		22 909 518	20 056 045
Fair value adjustments		(50 321)	1 625 283
Total income		38 619 711	34 470 352
Operating expenses		(27 880 324)	(23 918 246)
Profit from ordinary activities		10 739 387	10 552 106
Movement in life assurance funds		(549 780)	(1 301 860)
Share of associate companies' profits net of tax		304 562	192 821
Profit before taxation		10 494 169	9 443 067
Income tax expense		(1 141 184)	(1 276 042)
Net profit for the period		9 352 985	8 167 025
Profit attributable to:			
Owners of parent		9 098 208	7 866 422
Non-controlling interests		254 777	300 603
Profit for the period		9 352 985	8 167 025
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value adjustment on financial assets at (FVOCI)		(970 162)	(1 598 490)
Income tax relating to components of other comprehensive income		249 816	411 611
Other comprehensive income for the period net of tax		(720 346)	(1 186 879)
Total comprehensive income for the period		8 632 639	6 980 146
Total comprehensive income attributable to:			
Owners of parent		8 377 862	6 679 543
Non-controlling interests		254 777	300 603
Total comprehensive income for the period		8 632 639	6 980 146
Earnings per share			
Basic and fully diluted earnings per share (US cents)		0.058	0.050

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2018

	Share capital US$	Share premium US$	General reserve US$	Property and equipment revaluation reserve US$	FVTOCI financial assets reserve US$	Retained income US$	Attributable to equity holders of parent US$	Non controlling interests US$	Total US$
Balance at 31 December 2017	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	30 886 792	80 010 667	21 121 867	101 132 534
Changes on initial application of IFRS 9	-	-	-	-	-	(2 225 855)	(2 225 855)	(17 323)	(2 243 178)
Restated balance 1 January 2018	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	28 660 937	77 784 812	21 104 544	98 889 356
Changes in equity for 2018									
Profit or loss									
Profit for the year	-	-	-	-	-	9 098 208	9 098 208	254 777	9 352 985
Other comprehensive income, net of tax									
Fair value loss on financial assets at FVOCI	-	-	-	-	(720 346)	-	(720 346)	-	(720 346)
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(2 882 669)	(2 882 669)	(154 063)	(3 036 732)
Transfer from retained income	-	-	-	-	-	900 557	900 557	(900 557)	-
Balance at 30 June 2018	1 751 906	27 081 696	5 885 904	11 996 022	1 688 001	35 777 033	84 180 562	20 304 701	104 485 263
For the half year ended 30 June 2017									
Balance at 31 December 2016	1 751 906	27 081 696	5 610 572	12 287 546	4 005 204	18 409 286	69 146 210	20 287 288	89 433 498
Changes in equity for 2017									
Profit or loss									
Profit for the period	-	-	-	-	-	7 866 422	7 866 422	300 603	8 167 025
Other comprehensive income, net of tax									
Fair value adjustment on available for sale financial assets	-	-	-	-	(1 186 879)	-	(1 186 879)	-	(1 186 879)
Transaction with owners of the parent									
Distributions									
Dividends paid	-	-	-	-	-	(1 982 251)	(1 982 251)	(202 270)	(2 184 521)
Other movements									
Regulatory reserve in respect of doubtful debts	-	-	(223 188)	-	-	195 065	(28 123)	28 123	-
Transfer from retained income	-	-	648 066	-	-	(648 066)	-	-	-
Balance at 30 June 2017	1 751 906	27 081 696	6 035 450	12 287 546	2 818 325	23 840 456	73 815 379	20 413 744	94 229 123

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 30 June 2018

	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Cash generated from / (used in) operating activities	27 986 240	(19 316 160)
Interest and related income received	13 189 587	13 340 718
Dividends received	735 579	276 455
Interest and related expense paid	(2 955 389)	(4 193 388)
Income tax paid	(1 189 572)	(1 030 690)
Net cash generated from / (used in) operating activities	37 766 445	(10 923 065)
Cash flows from investing activities		
Purchase of investment property	-	(14 742)
Purchase of intangible assets	(280 399)	(134 964)
Purchase of property and equipment	(1 749 935)	(274 096)
Proceeds on disposal of property and equipment	5 940	29 568
Purchase of investment securities	(23 751 763)	(6 559 082)
Proceeds on disposal of investment securities	2 030 498	389 777
Additions of investment in associate	-	(91 147)
Net cash used in investing activities	(23 745 659)	(6 654 686)
Cash flows from financing activities		
Dividends paid	(154 063)	(2 184 521)
Net cash used in financing activities	(154 063)	(2 184 521)
Net increase / (decrease) in cash and cash equivalents	13 866 723	(19 762 272)
Cash and cash equivalents at beginning of period	73 816 218	83 193 499
Effects of exchange rates fluctuating on cash and cash equivalents	(55 384)	(318 664)
Cash and cash equivalents at end of period	87 627 557	63 112 563
Cash and cash equivalents comprise:		
Cash	5 096 240	4 614 136
Local bank accounts	78 045 534	56 340 919
Foreign bank accounts	4 485 783	2 157 508
	87 627 557	63 112 563

1. BASIS OF PREPARATION

1.1 Reporting currency

The financial statements of the Group are presented in United States dollars (US$), which is the Group's functional currency. All information presented has been rounded to the nearest dollar.

Following the adoption of the multi currency system in January 2009, all local notes in issue and balances transacted through local payments platforms have been rated at 1 for 1 with the United States of America's dollar. Exchange of these balances against external obligations is done through an allocation system which is controlled by the Reserve Bank of Zimbabwe and delays are often experienced due to competing demands.

1.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB, the International Financial Reporting Interpretations Committee (IFRIC) interpretations, and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant regulations made thereunder.

1.3 Basis of consolidation

The Group financial results incorporate the financial results of the Company, its subsidiaries and associate companies. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to change returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses, profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full. Non-controlling interests represent the portion of profit and net assets that is not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

1.4 Key sources of judgement and estimation uncertainty

Significant assumptions and estimations, as at the date of financial reporting, with material implications on the reported financial outturn and balances have been made in the following areas:

a) The computation of expected credit losses (IFRS 9)

The measurement of impairment losses both under 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 Group's expected credit loss (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 Group's internal credit grading model, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk so that allowances for financial assets should be measured on a life time expected credit losses (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, exposure at default (EADs) and loss given default (LGDs).
- Selection of forward looking macro economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

b) Determination of the fair value of financial assets (IFRS 13)

The fair value assessment of unquoted investments requires the application of valuation techniques in which assumptions or estimations are made regarding the following factors:

- Future cash-flow to be generated by the instrument
- Market discount rates, with reference to comparable instruments trading in an open market

c) Valuation of property (including investment properties) and equipment (IAS 16 and IAS 40)

Property valuations are done by professional valuers on an annual basis. These valuations are sensitive to assumptions regarding the asset's best practical use case, market trends, macro-economic factors, the cash flow generation capacity of the assets or their perceived value extraction capacity from continued use, estimation of remaining useful lives of the assets and their estimated residual values.

d) Estimation of liabilities under insurance contracts (IFRS 4)

The valuation of liabilities under insurance contracts requires the application of judgement which includes:

- The assessment of past claims patterns to determine the possibility of claims pending intimation
- The requirement for complex actuarial computations to estimate the value of promises under long term risk or investment contracts. Assumptions are made regarding such factors as mortality rate, premiums persistence rate, future rates of return on underlying assets, expense growth rate, and market discount rates.

e) Ascertaining of the degree of control or significant influence in investee companies (IAS 27 and IAS 28)

Judgement is applied in determining whether investee companies qualify as subsidiary companies or associate companies. Such assessment goes beyond just the level of equity interest and interrogates the level of control in the investee entity.

1.5 Changes in accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15: *"Revenue from Contracts with Customers"* and IFRS 9: *"Financial Instruments"* from 1 January 2018.

The adoption of IFRS 15 has not had any material effect on the Group's financial statements as the basis for revenue recognition previously applied largely conforms to the provisions of the new standard.

The implications of the adoption of IFRS 9 are discussed below:

1.5.1 Implications of the adoption of IFRS 9

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 Group's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7: *"Financial Instruments: Disclosures"*.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes, disclosures and the consequential amendments to IFRS 7, disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

1.5.1.1 Classification of financial assets

Financial assets are classified into the following specified categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost (AMCO).

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Financial assets at FVTPL</u>
Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement*, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss. Interest income from these financial assets is included in 'Interest and related income' using the effective interest rate method.

<u>Financial assets at FVOCI</u>
The Group applies the new category under IFRS 9 of debt instruments measured at 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
- 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.

Gains and losses arising from changes in fair value are recognized directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss.

<u>Financial assets at amortised cost</u>
This includes amounts due from banks, loans and other receivables, bills of exchange and debentures with fixed or determinable payments and fixed maturity debts that the Group has the positive intent and ability to hold to maturity. Investments are recorded using the effective interest method less any impairments with revenue being recognised on an effective yield basis.

From 1 January 2018, the Group only measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows
- 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.

<u>Business model assessment:-</u>
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group'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 portfolio performance evaluation basis, risks inherent in the assets in the portfolio, basis of compensation to management and the frequency, value and timing of sales from the portfolio.

The 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 Group's original expectations, the Group 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.

<u>The SPPI test:-</u>
'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 FVTPL.

1.5.1.2 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 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 and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group 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 Group places loans into Stage1, Stage2, Stage3 and POCI, as described below:

- **Stage 1**: refers to a financial instrument that is not credit-impaired on initial recognition. Its credit risk is continuously monitored by the Group and all repayments are current and within 30 days. Financial instruments in Stage 1 have their expected credit loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is accrued on gross carrying amount.
- **Stage 2:** If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Debt is past due for more than 30 days but less than 90 days and there is an increased possibility of credit risk developing. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on gross carrying amount.
- **Stage 3:** If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The debt is past due for more than 90 days. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on net carrying amount. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- **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 recognized on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the ECLs.
- The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

<u>The calculation of ECLs</u>
The Group calculates ECLs based on a four 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 key elements in the ECL calculations are:

- **PD:** The Probability of Default 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 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 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 LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. ECLs related to loan commitments and letters of credit as well as financial guarantee contracts are is recognised within Provisions.

1.5.1.3 Financial liabilities and equity instruments issued by the Group

<u>Classification as debt or equity</u>
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

<u>Equity instruments</u>
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

<u>Financial liabilities</u>
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

<u>Financial liabilities at FVTPL</u>
Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

<u>Other financial liabilities</u>
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at armortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

1.5.1.4 Fair values of financial instruments

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of liability reflects its non-performance risk.

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The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices, and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The valuation technique used depends on the nature of the financial instrument.

Fair value hierarchy:-
IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has access at the measurement date.
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 (unobservable inputs).

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

1.5.2 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 calculations with IFRS 9's ECLs.

1.5.2.1 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		IFRS 9	
	Classification & Measurement	Carrying Amount as at 31 Dec 2017 US$	Reclassifications US$	Remeasurements US$	Classification & Measurement	Carrying Amount as at 1 Jan 2018 US$
FINANCIAL ASSETS						
Cash and cash equivalents						
Balances with the RBZ	AMCO (L&R)	64 809 565	-	-	AMCO	64 809 565
Balances with other bank and cash	AMCO (L&R)	9 006 653	-	-	AMCO	9 006 653
Total cash and cash equivalents		73 816 218	-	-		73 816 218
Money market investments						
Due from other banks	AMCO (L&R)	33 000 000	-	-	AMCO	33 000 000
		33 000 000	-	-		33 000 000
Treasury bills						
Short-term treasury bills issued by the RBZ	FVTPL	11 428 236	-	-	FVTPL	11 428 236
Medium term treasury bills acquired from the market	AFS	105 694 046	-	-	FVOCI	105 694 046
Debt substitution instruments (ZAMCO treasury bills)	AMCO (L&R)	23 485 728	-	-	AMCO	23 485 728
Capitalisation treasury bills	AMCO (L&R)	15 337 181	-	-	AMCO	15 337 181
		155 945 191	-	-		155 945 191
On Balance Sheet						
Loans and advances						
Loans, overdrafts and other advances	AMCO (L&R)	93 635 083	-	-	AMCO	93 635 083
Mortgage loans	AMCO (L&R)	16 898 535	-	-	AMCO	16 898 535
Finance leases	AMCO (L&R)	2 841 087	-	-	AMCO	2 841 087
Bills discounted	AMCO (L&R)	1 399 977	-	-	AMCO	1 399 977
Gross advances		114 774 682	-	-		114 774 682
Allowances for loan impairment		(7 616 804)	-	(5 877 237)		(13 494 041)
Interest reserved		(2 187 540)	-	2 187 540		-
Net advances		104 970 338	-	(3 689 697)		101 280 641
Contingent assets						
Loans, overdrafts and other advances (loan commitment)		-	-	11 555 851	AMCO	11 555 851
Provisions (loan commitments		-	-	(816 200)	AMCO	(816 200)
Guarantees	AMCO (L & R)	13 565 238	-	-	AMCO	13 565 238
Provisions (Guarantees)		-	-	(592 613)	AMCO	(592 613)
Gross contingent assets		13 565 238	-	10 147 038		23 712 276
Gross credit exposures		128 339 920	-	10 147 038		138 486 958
Investment securities						
Unlisted equity	FVTPL	4 752 206	-	-	FVTPL	4 752 206
Listed equity	FVTPL(Held for Trading)	14 638 578	-	-	FVTPL	14 638 578
Unit Trusts	FVTPL(Held for Trading)	576 360	-	-	FVTPL	576 360
Government and public utilities stock	FVTPL	11 457 376	-	-	FVTPL	11 457 376
Group balances (embargoed funds)	AMCO (L&R)	4 362 818	-	-	AMCO	4 362 818
Debentures	AMCO (L&R)	925 775	-	(6 430)	AMCO	919 345
		36 713 113	-	(6 430)		36 706 683
Trade and other receivables						
Accrued interest	AMCO (L&R)	270 984	-	-	AMCO	270 984
Remittances in transit	AMCO (L&R)	1 862 473	-	-	AMCO	1 862 473
Advance payments and sundry assets	AMCO (L&R)	6 998 920	-	-	AMCO	6 998 920
Sundry receivables	AMCO (L&R)	2 744 376	-	-	AMCO	2 744 376
		11 876 753	-	-		11 876 753
FINANCIAL LIABILITIES						
LIABILITIES						
Deposits from customers	AMCO	347 105 859	-	-	AMCO	347 105 859
Trade and other payables	AMCO	30 134 215	-	-	AMCO	30 134 215
Current tax liabilities	AMCO	23 217	-	-	AMCO	23 217
		377 263 291	-	-		377 263 291

The Group has assessed its financial instruments which had previously been classified as FVTOCI instruments, instruments at amortized cost and others at FVTPL and concluded that these had been correctly classified and would not change under IFRS9.

The Group holds substantial interests in insurance operations through its investments in ZB Life Assurance Limited, ZB Reinsurance Limited and Cell Insurance Company Limited. Liabilities in these companies will be subject of the provisions of IFRS17: Insurance Contracts, which become effective from 1 January, 2021. Application of IFRS 17 will result in certain classification considerations for insurance liabilities that will overlap some provisions of IFRS 9. In view of the level of complexities that may arise, the Group has adopted the Temporary Exemption approach in the application of IFRS 9 to such classes of financial liabilities. This deferral will be evaluated on an on-going basis up to 1 January, 2021, the effective date for the adoption of IFRS 17.

1.5.2.2 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	Loan loss allowance under IAS 39 as at 31 Dec 2017 US$	Reclassification US$	Remeasurement US$	Loss allowance under IFRS 9 as at 1 Jan 2018 US$
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)				
Advances and other accounts	7 616 803	-	4 461 994	12 078 797
Investment securities held at amortised cost	-	-	6 430	6 430
Loan commitments and financial guarantees				
Loan commitments	-	-	816 200	816 200
Guarantees	-	-	592 613	592 613
TOTAL	7 616 803	-	5 877 237	13 494 040

1.5.2.3 The impact of transition to IFRS 9 on reserves, retained earnings and total assets

The impact of the transition to IFRS 9 is, as follows:

	US$
Changes in Total Equity	
Closing balance under IAS 39 (31 December 2017)	101 132 534
Recognition of IFRS 9 Expected credit losses (ECL)	(5 877 237)
Reversal of interest in reserve	2 187 540
Related deferred tax	1 446 519
Opening balance under IFRS 9 (1 Jnauary 2018)	98 889 356
Changes in Retained Earnings	
Closing balance under IAS 39 (31 December 2017)	30 886 792
Recognition of IFRS 9 Expected credit losses (ECL)	(5 877 237)
Reversal of interest in reserve	2 187 540
Related deferred tax	1 446 519
Opening balance under IFRS 9 (1 Jnauary 2018)	28 643 614
Changes in Total Assets	
Closing balance under IAS 39 (31 December 2017)	527 086 509
Recognition of IFRS 9 Expected credit losses (ECL)	(5 877 237)
Reversal of interest in reserve	2 187 540
Opening balance under IFRS 9 (1 Jnauary 2018)	523 396 812

2. SEGMENT INFORMATION

30 June 2018

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net interest and related income	10 528 933	359 925	-	10 888 858
Net fee and commission income	19 958 206	4 884 034	(179 186)	24 663 054
Other revenue	2 394 207	(2 688 738)	3 362 330	3 067 799
Total segment revenue	32 881 346	2 555 221	3 183 144	38 619 711
Other material non-cash items:				
Depreciation	1 245 680	91 301	78 777	1 415 758
Amortisation of intangible assets	917 105	-	12 340	929 445
Fair value adjustments	(2 658)	(215 739)	168 076	(50 321)
Reportable segment profit before taxation	8 345 537	1 018 550	1 130 082	10 494 169
Reportable segment assets as at 30 June 2018	542 277 073	68 116 258	(30 566 631)	579 826 700
Reportable segment liabilities as at 30 June 2018	451 854 393	40 778 988	(17 291 944)	475 341 437

[1]Includes consolidation journals.

30 June 2017

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net interest and related income	7 929 997	263 911	(338 421)	7 855 487
Net fee and commission income	16 439 771	4 943 537	(558 829)	20 824 479
Other revenue	4 550 352	1 103 808	136 226	5 790 386
Total segment revenue	28 920 120	6 311 256	(761 024)	34 470 352
Other material non-cash items:				
Depreciation	1 094 918	83 849	85 506	1 264 273
Amortisation of intangible assets	1 434 262	-	12 931	1 447 193
Fair value adjustments	981 702	798 157	(154 576)	1 625 283
Reportable segment profit before taxation	7 141 943	1 239 884	1 061 240	9 443 067
Reportable segment assets as at 30 June 2017	404 661 880	63 487 202	(37 364 093)	430 784 989
Reportable segment liabilities as at 30 June 2017	319 618 308	37 345 392	(20 407 834)	336 555 866

[1]Includes consolidation journals.

3. TREASURY BILLS

3(a) Balances on the Statements of Financial Position

The Reserve Bank of Zimbabwe (RBZ) has issued various forms of treasury bills which the Bank has participated in. The Group has three categories of treasury bills classified as follows:
a) as ''at fair value through profit or loss''(FVTPL);
b) as "at fair value through other comprehensive income" (FVTOCI); and
c) as at amortised cost

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Treasury bills include:		
Assets classified as FVTPL:		
Short term treasury bills ❶	17 256 428	11 428 236
Assets classified as FVTOCI:	131 837 407	105 694 046
Medium term treasury bills acquired from the market ❷		
Assets classified at AMCO:		
Treasury bills issued as substitution for debt instruments ❸	22 339 314	23 485 728
Capitalisation treasury bills ❹	15 720 610	15 337 181
	187 153 759	155 945 191

❶ The Group invested in treasury bills issued by the RBZ over a period of 3 months to 24 months at rates ranging from 7% to 9.875%.
❷ The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 0% to 5% with maturity periods ranging from 1 month to 3 years.
❸ The Group received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have a coupon rate of 5% and maturity periods ranging from 1 month to 14 years.
❹ The Capitalisation Treasury Bills (CTBs) with a face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe against an interest free loan at the Holding Company. The CTBs were then used to recapitalise ZB Bank Limited, a 100% owned subsidiary. The CTBs mature on 26/05/2025 and carry a coupon of 1% which is payable on maturity.

Classification:-
The CTBs have been classified as "Ammortised cost investments in terms of IFRS 9. Previously they were classified as "loans and receivables". Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

Measurement of fair value at initial recognition:-
The computation of the fair value at initial recognition in 2015 fell into Level 3 of the fair value hierarchy in terms of IFRS 13:"Fair Value Measurement" due to the absence of a recognizable market in which similar instruments were traded. The valuation was constructed as follows:-

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 discount rates from 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 GoZ 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	Reduction in capital US$
3.93%	Minima	3 897 938
4.63%	Average	4 688 534
5.5%	Maxima	5 610 523

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Impairement assessment

The Capitalisation treasury bills impairment assessment was performed as at 30 June 2018, and they were considered to be of low credit risk, hence there was no IFRS 9 impairment charge raised for the CTBs. There was no objective evidence at 30 June 2018 to suggest that future cash flows on the CTBs could end up being less than anticipated at the point of initial recognition. Additionally, interest rate scenarios assessed to be applicable in the valuation of the CTBs given their peculiarity, were assessed to be similar to those applicable as at the end of the previous year. Consequently, no impairment adjustment arose from the assessment.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
3(b) Contingent assets		
In respect of treasury bills held in trust on behalf of clients	39 648	1 573 494

The Group previously held balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporates and tobacco farmers. As part of the debt assumption process in terms of the Debt Assumption Bill which was gazetted in June 2014, treasury bills have been issued in respect of the capital portion only of the balances held at the Reserve Bank. The Group received treasury bills amounting to US$6.8 million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US$6.796 million (2017: US$5.2 million) of these treasury bills had been passed on to customers as at 30 June 2018. These treasury bills have been accounted for as off balance sheet assets as at 30 June 2018 as the Bank is holding them on behalf of customers.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
4. MORTGAGES AND OTHER ADVANCES		
4.1 Gross loan book		
Mortgage advances	18 202 356	16 898 535
Other advances:		
Loans, overdraft and other accounts	80 210 702	89 011 450
Finance leases	3 617 018	2 841 087
Bills discounted	982 501	1 399 977
Insurance advances	5 888 401	4 623 633
Total other advances	90 698 622	97 876 147
Gross advances	108 900 978	114 774 682
Contingent exposures		
In respect of guarantees	15 629 350	13 565 238
Gross credit exposure	124 530 328	128 339 920
Gross advances excluding guarantees	108 900 978	114 774 682
Less: Allowance for loan impairment	(10 917 747)	(7 616 804)
Less: interest reserved	-	(2 187 540)
Net advances	97 983 231	104 970 338
4.2 Maturity analysis		
On demand	48 877 782	48 235 461
Within 1 month	3 543 746	1 460 597
Between 1 and 6 months	12 753 915	14 503 331
Between 6 and 12 months	11 802 727	17 325 472
After 12 months	47 552 158	46 815 059
	124 530 328	128 339 920
4.3 Non-performing loans		
Included in the above are the following;		
Non-performing loans	12 518 885	13 693 570
Less: Allowance for loan impairment	(3 997 405)	(7 616 804)
Less: Interest reserved	-	(2 187 541)
Value to be received from security held	8 521 480	3 889 225

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of the security held in respect of the non-performing book amounted to US$12 411486 as at 30 June 2018 (2017: US$21 586 351).

Non performing loans with a net carrying value of US$9 599 374 were transferred to a Special Purpose Vehicle called Credsave (Private) Limited (Credsave) on 31 December 2016, in a transaction that is yet to meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Group. The Group plans to offer the Credsave pool of assets as a "block" to interested investors upon which the assets will meet conditions for derecognition from the statement of financial position. In the meantime, recovery efforts continue with any recoveries resulting in the adjustment of the net exposure to the Group.

As at 30 June 2018, the carrying value of these assets stood at US$6 018 972 with a security value of US$12 194 300, thus implying a security coverage of 303%.

	Reviewed 30 June 2018 US$	% Contribution	Audited 31 Dec 2017 US$	% Contribution
4.4 Sectorial analysis				
Private	46 062 354	37	45 952 412	36
Agriculture	13 027 193	10	12 748 770	10
Mining	384 053	0	669 365	1
Manufacturing	4 702 733	4	8 333 870	6
Distribution	5 957 807	5	6 656 510	5
Construction	1 676 233	1	1 900 415	1
Transport	2 906 859	2	3 473 088	3
Services	24 023 738	19	24 364 259	19
Financial	9 682 061	8	10 033 271	8
Communication	477 947	0	642 722	1
	108 900 978	87	114 774 682	89
Guarantees				
Manufacturing	13 157 270	11	11 905 000	9
Distribution	158 760	0	605 609	0
Construction	366 950	0	193 486	0
Transport	742 694	1	6 000	0
Services	1 197 676	1	849 143	2
Communication	6 000	0	6 000	0
	15 629 350	13	13 565 238	11
	124 530 328	100	128 399 920	100

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
4.5 Loan impairment		
Statement of financial position movement:		
Balance at beginning of year	7 616 804	6 684 196
IFRS 9 Adjustment as at 1 January 2018	4 461 994	-
Charge to profit or loss	(1 530 456)	3 563 353
Write offs against provision	369 405	(2 630 745)
Balance at end of period	10 917 747	7 616 804
4.6 Mortgage advances		
Mortgage advances were spread as follows:		
Type of property:-		
High density	924 422	1 036 570
Medium density	2 698 078	2 575 947
Low density	9 402 844	7 918 008
Commercial	5 177 012	5 368 010
	18 202 356	16 898 535

4.7 Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Group is the lessor:

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Gross investment in finance leases:		
Less than 1 year	983 875	816 012
Between 1 and 5 years	3 056 087	2 349 113
Gross investment in finance leases	4 039 962	3 165 125
Unearned finance charges	(422 944)	(324 038)
Net investment in finance leases	3 617 018	2 841 087
Less than 1 year	942 132	780 903
Between 1 and 5 years	2 674 886	2 060 184
	3 617 018	2 841 087

4.8 Determination of carrying value

Loans and advances are carried at amortised cost using the effective interest rate.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
5. INVESTMENT PROPERTIES		
Carrying amount at beginning of period	29 971 963	26 728 848
Additions	-	2 387 587
Property reclassified as held for sale	-	1 137 900
Fair value adjustment	-	(282 372)
Balance at end of period	29 971 963	29 971 963

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
6. PROPERTY AND EQUIPMENT						
GROUP						
Cost or valuation						
Balance at 1 January 2018	22 338 396	6 898 590	6 147 540	10 072 703	5 664 226	51 121 455
Additions	-	68 856	65 301	652 214	963 564	1 749 935
Disposals	-	-	(10 274)	(5 614)	-	(15 888)
Balance at 30 June 2018	22 338 396	6 967 446	6 202 567	10 719 303	6 627 790	52 855 502
Accumulated depreciation						
Balance at 1 January 2018	498 694	3 638 937	3 453 211	6 501 274	4 175 680	18 267 796
Recognised in profit or loss	2 092	302 015	260 713	692 648	158 290	1 415 758
Disposals	-	-	(6 382)	(3 708)	-	(10 090)
Balance at the 30 June 2018	500 786	3 940 952	3 707 542	7 190 214	4 333 970	19 673 464
Carrying value at 30 June 2018	21 837 610	3 026 494	2 495 025	3 529 089	2 293 820	33 182 038
Carrying value at 31 December 2017	21 839 702	3 259 653	2 694 329	3 571 429	1 488 546	32 853 659

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
GROUP						
Cost or valuation						
Balance at 1 January 2017	22 209 312	6 747 111	5 922 753	8 130 936	5 661 023	48 671 135
Surplus on revaluation	129 084	-	-	-	88 399	217 483
Additions	-	151 479	267 591	1 960 465	314 837	2 694 372
Disposals	-	-	(42 804)	(18 698)	(400 033)	(461 535)
Balance at 31 December 2017	22 338 396	6 898 590	6 147 540	10 072 703	5 664 226	51 121 455
Accumulated depreciation						
Balance at 1 January 2017	494 510	3 043 926	2 940 775	5 558 247	4 160 885	16 198 343
Recognised in profit or loss	4 184	595 011	541 902	958 652	374 522	2 474 271
Disposals	-	-	(29 466)	(15 625)	(359 727)	(404 818)
Balance at the 31 December 2017	498 694	3 638 937	3 453 211	6 501 274	4 175 680	18 267 796
Carrying value at 31 December 2017	21 839 702	3 259 653	2 694 329	3 571 429	1 488 546	32 853 659
Carrying value at 31 December 2016	21 714 802	3 703 185	2 981 978	2 572 689	1 500 138	32 257 043

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
7. INTANGIBLE ASSETS		
Computer software		
Carrying amount at beginning of period	6 599 836	7 981 828
Additions at cost	280 399	1 070 337
Amortisation	(929 445)	(2 452 329)
Balance at end of period	5 950 790	6 599 836
8. DEPOSITS AND OTHER ACCOUNTS		
8.1 Summary of deposits by type		
Balances of banks	8 421 146	13 204 876
Current accounts	64 305 016	53 674 201
Savings and call accounts	190 033 520	154 062 830
Fixed deposits	128 714 338	124 637 626
Agrobills	-	1 526 326
	391 474 020	347 105 859
8.2 Maturity analysis		
On demand	251 449 398	204 471 996
Within 1 month	89 757 952	74 799 158
Between 1 and 6 months	40 954 332	47 814 346
Between 6 and 12 months	141 936	9 548 216
After 12 months	9 170 402	10 472 143
	391 474 020	347 105 859

	Reviewed 30 June 2018 US$	%	Audited 31 Dec 2017 US$	%
8.3 Deposit concentration				
Private individuals	79 865 382	20	66 917 207	19
Agriculture	28 152 587	7	11 494 136	3
Mining	2 393 862	1	1 185 693	0
Manufacturing	44 453 504	11	44 319 480	13
Distribution	11 038 111	3	10 721 119	3
Construction	3 452 094	1	6 125 661	2
Transport	2 221 918	1	1 574 764	1
Services	110 789 257	28	92 350 640	27
Financial	69 490 618	18	66 254 215	19
Communication	39 616 687	10	46 162 944	13
	391 474 020	100	347 105 859	100

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
9. LONG TERM BORROWINGS		
Face value of loan	20 000 000	20 000 000
Valuation discount	(5 708 542)	(6 057 109)
Balance at end of period	14 291 458	13 942 891
Valuation discount		
Balance at beginning of the period	6 057 109	6 463 213
Amortisation during the period	(348 567)	(406 104)
Balance at end of period	5 708 542	6 057 109

10. LIFE ASSURANCE FUNDS

Life assurance funds are due to contributing policyholders at the life company as determined by the terms and conditions or practices applicable to each policy. Policy contracts issued by the life company transfer insurance or financial risk, or, in some instances, both, from one party to another.

Insurance contracts result in the Group accepting significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Investment contracts, on the other hand, are those that transfer financial risk with no significant insurance risk. Financial risk is the risk of possible future change in one or more of a specified interest rate, financial instrument price, commodity price, index of prices or rates, credit rating or any other variable.

Insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis, on a gross premium valuation methodology and the liability is reflected in the statement of financial position. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins for prudent liabilities, plus additional discretionary margins. Such valuation is carried out annually by independent actuaries.

Life fund liabilities are supported by the following net assets:

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Listed equities	6 686 802	5 992 857
Unlisted equities	2 294 950	2 624 140
Gold fund	385 993	398 440
Government and public utilities stock	4 813 675	3 919 339
Investment properties	1 315 752	1 315 752
Funds on deposit	5 127 503	5 582 193
Equity accounted investments	11 550 053	11 550 053
Trade and other receivables	837 397	935 891
Gross assets	33 012 125	32 318 665
Less: Deferred tax liabilities	(185 649)	(171 682)
Trade and other payables	(472 122)	(296 117)
Income tax payable	6 753	(39 539)
Net assets	32 361 107	31 811 327

The assets and liabilities indicated above are included under appropriate sections in the consolidated statement of financial position.

11. CONTINGENT LIABILITIES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
11.1 Contingent liabilities		
In respect of treasury bills held in trust held on behalf of customers	39 648	1 573 464
In respect of guarantees	15 629 350	13 565 238
	15 668 998	15 138 702

11.2 Legal contingencies

The Company acquired a controlling interest in IHL between 2006 and 2007 through a series of transactions that provided a rescue package to deal with liquidity and solvency challenges that affected IHL at the time. THL, previously a controlling shareholder in IHL, has been contesting this acquisition since 2007 and the matter remains to be resolved at the Supreme Court having been determined in favour of the Company at the High Court of Zimbabwe in 2008.

In May 2016, the Government of Zimbabwe, then a significant shareholder in the Company, brokered a resolution framework in which it ceded part of their shareholding on the understanding that the Company would allocate another parcel of shares to THL. The latter proposal was rejected by the Shareholders resulting in the need for an alternative resolution framework to be developed. Any chosen framework might have an impact on the financial statements or disclosures attached thereto. The Board is currently exploring various means to resolve the matter.

A resolution framework including the possible unbundling of the contentious assets is a possibility. Should that be the preferred route this could lead to considerations to account for the contentious assets in terms of International Financial Reporting Standard ("IFRS") 5 – Non-current Assets Held for Sale and Discontinued Operations. Through a series of technical consultations, management are satisfied that as at the reporting date, any proposed means of resolving the matter had not triggered the requirements of IFRS 5 hence the contentious assets were fully consolidated.

12. EARNINGS PER SHARE

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted profit per share for the period ended 30 June 2018 of US5.80 cents (2017: US4.99 cents) is based on the attributable profit after tax of US$9 098 208 (2017: US$7 866 422) and weighted average number of shares of 157 522 902 (2017: 157 522 902).

13. RISK MANAGEMENT

13.1 Capital risk management

The Group's capital consists of equity attributable to the shareholders of the parent Company, comprising the issued share capital, reserves, retained income and debt, which includes direct loans plus the residual funding from deposit taking activities after deducting the associated liquid or near-liquid assets.

The Group's operating target is to maintain operating assets at a level that is lower than the available operating funds at all times in order to restrict recourse on shareholders' equity for operational funding. Whilst this objective was met during the course of the period under review, gearing was maintained at above 18% after a borrowing with a maturity value of $20 million in 2025. This was necessitated by the need to augument capital resources in the Banking operations which are expected to comply with an increased capital requirement by end of 2020.

The banking and insurance operations in the Group are subject to prescribed minimum regulatory capital requirements and minimum capital adequacy and solvency ratios as prescribed from time to time.

Management of the Group monitors the level of capital adequacy on a continual basis, employing techniques adopted from the guidelines developed by the Basel Committee and contained in the Basel II capital accord as implemented by the supervisory authorities for each of the affected entities. For the life assurance business, regular actuarial reviews are undertaken to establish the solvency of the business.

An Internal Capital Adequacy Assessment Plan (ICAAP) has been developed for banking operations and defines capital targets which are generally set above regulatory levels, stress test scenarios and risk appetite across different lines of operations.

13.2 Financial risk management

The Group maintains active trading positions in a variety of non-derivative financial instruments in anticipation of customer demand. The Group manages its trading activities by the type of risk involved and on the basis of the categories of trading instruments held. Regular feedback on risk related matters is provided to the Board through the Board Risk Committee.

Fair values and risk management – accounting classification and fair values

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of fair value.

30 June 2018	CARRYING AMOUNT				FAIR VALUE			
	Designated at fair value US$	Loans and receivables US$	Other financial liabilities US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value								
Equity securities	17 766 590	-	-	17 766 590	17 766 590	-	-	17 766 590
Government public utility stock	35 288 626	-	-	35 288 626	-	-	35 288 626	35 288 626
Unit trusts	558 354	-	-	558 354	-	558 354	-	558 354
Unlisted equity investments	4 714 428	-	-	4 714 428	-	-	4 714 428	4 714 428
Total	58 327 998	-	-	58 327 998	17 766 590	558 354	40 003 054	58 327 998
Financial assets not measured at fair value								
Trade and other receivables	-	1 774 406	-	1 774 406				
Cash and cash equivalents	-	87 627 557	-	87 627 557				
Total	-	89 401 963	-	89 401 963				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(33 058 686)	(33 058 686)				
Total	-	-	(33 058 686)	(33 058 686)				

31 December 2017	CARRYING AMOUNT				FAIR VALUE			
	Designated at fair value US$	Loans and receivables US$	Other financial liabilities US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value								
Equity securities	14 638 578	-	-	14 638 578	14 638 578	-	-	14 638 578
Government public utility stock	12 383 151	-	-	12 383 151	-	-	12 383 151	12 383 151
Unit trusts	576 360	-	-	576 360	-	576 360	-	576 360
Unlisted equity investments	4 752 206	-	-	4 752 206	-	-	4 752 206	4 752 206
Total	32 350 295	-	-	32 350 295	14 638 578	576 360	17 135 357	32 350 295
Financial assets not measured at fair value								
Trade and other receivables	-	1 862 474	-	1 862 474				
Cash and cash equivalents	-	73 816 218	-	73 816 218				
Total	-	75 678 692	-	75 678 692				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(30 134 215)	(30 134 215)				
Total	-	-	(30 134 215)	(30 134 215)				

Definition of financial risk

The Group defines financial risk collectively to include liquidity risk, market risk and credit risk.

13.2.1 Liquidity risk

Definition

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes the risk of being unable to fund liabilities at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Identification techniques

This risk is identified through gap and maturity analysis.

Measurement methods

Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

Liquidity gap analysis as at 30 June 2018

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/ (outflow) US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	73 740 134	4 591 341	-	-	78 331 475	87 627 557
Money market investments	23 500 000	12 305 717	-	-	35 805 717	35 805 717
Treasury bills	4 030 107	37 158 977	39 454 260	119 326 925	199 970 269	187 153 759
Mortgages and other advances	23 939 403	13 301 181	11 135 332	55 019 732	103 395 648	97 983 231
Investment securities	-	-	-	58 327 998	58 327 998	58 327 998
	125 209 644	67 357 217	50 589 592	232 674 655	475 831 107	466 898 262
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	281 840 711	71 282 798	9 572 996	12 999 296	375 695 801	391 434 574
Trade and other payables	2 795 019	19 253 467	-	2 291 884	24 340 370	33 058 685
Long term loan	-	-	-	14 291 463	14 291 463	14 291 463
	284 635 730	90 536 265	9 572 996	29 582 643	414 327 634	438 784 722
Period gap	(159 426 086)	(23 179 049)	41 016 596	203 092 012	61 503 473	28 113 540
Cumulative gap	(159 426 086)	(182 605 135)	(141 588 539)	61 503 473	-	-

Liquidity gap analysis as at 31 December 2017

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/ (outflow) US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	100 798 225	9 500 000	-	-	110 298 225	106 816 218
Money market investments	1 190 356	2 638 554	-	-	3 828 910	20 212 153
Treasury bills	-	21 856 412	36 459 598	122 830 411	181 146 421	155 945 191
Mortgages and other advances	29 507 166	15 728 361	17 213 473	56 453 819	118 902 819	104 970 338
Investment securities	-	-	-	36 713 113	36 713 113	36 713 113
	131 495 747	49 723 327	53 673 071	215 997 343	450 889 488	424 657 013
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	285 496 799	71 203 517	9 539 001	9 597 265	375 836 582	347 105 859
Trade and other payables	24 307 482	5 254 630	234 035	15 222 659	45 018 806	30 134 215
Long term loan	-	-	-	13 942 891	13 942 891	13 942 891
	309 804 281	76 458 147	9 773 036	38 762 815	434 798 279	391 182 965
Period gap	(178 308 534)	(26 734 820)	43 900 035	177 234 528	16 091 209	33 474 048
Cumulative gap	(178 308 534)	(205 043 354)	(161 143 319)	16 091 209	-	-

Impact evaluation

Liquidity risk is considered moderate for the Group despite the pervasive negative mismatch of assets and liabilities in all time brackets and a generally illiquid market out-turn which makes the mobilization of funds difficult in the event of adverse systemic events occurring on the market. The liquidity position exhibits resilience and is capable of sustaining more than a 15% fall in liquid assets.

The Group maintained levels of liquid resources at acceptable levels throughout the period.

Strategies for management/mitigation

The Group has access to a diverse funding base and can raise funds using a broad range of instruments including deposits, liabilities evidenced by paper and share capital. The Group has funding flexibility and this limits dependence on any one source of funding.

Liquidity risk is managed by the Treasury Department in consultation with the Assets and Liabilities Committee (ALCO).

Monitoring and controlling mechanisms

The funding gap is monitored through a number of management reports including maturity profiles. The Group continually assesses risk by identifying and monitoring changes in funding required to meet business objectives and targets set in terms of the overall Group strategy. Other tools used are the imposition of dealer limits, reporting on facility utilizations and excesses that require management attention.

Adequacy and effectiveness of risk management systems

The liquidity risk management and control mechanisms in place are adequate, effective and are adhered to by all staff members.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Liquidity ratios		
Total liquid assets	310 547 587	266 300 407
Total liabilities to the public	391 434 574	347 105 859
Liquidity ratio	79.34%	76.72%
Average for the period	82%	70%
Maximum for the period	79%	72%
Minimum for the period	64%	64%
Minimum statutory liquidity ratio	30%	30%

13.2.2 Market risk

Market risk arises from adverse movements in the market place which cause interest rate, foreign exchange rate and equity price fluctuations in the markets in which the Group operates.

13.2.2.1 Interest rate risk

Definition

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Identification techniques

Interest rate risk is identified using the term structure of assets and liabilities.

Measurement methods

Rate sensitive assets and liabilities are analyzed and a maturity profile established.

Interest rate gap analysis as at 30 June 2018

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	5 440 840	-	-	-	5 440 840
Money market investments	23 500 000	12 305 717	-	-	35 805 717
Mortgages and other advances	14 451 223	21 879 814	37 324 642	24 327 552	97 983 231
Treasury bills	4 021 916	37 061 152	38 842 504	107 228 187	187 153 759
	47 413 979	71 246 683	76 167 146	131 555 739	326 383 547
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(302 172 074)	(70 786 624)	(9 530 059)	(8 945 816)	(391 434 573)
	(302 172 074)	(70 786 624)	(9 530 059)	(8 945 816)	(391 434 573)
Period gap	(254 758 095)	460 059	66 637 087	122 609 923	(65 051 026)
Cumulative gap	(254 758 095)	(254 298 036)	(187 660 949)	(65 051 026)	-

Interest rate gap analysis as at 31 December 2017

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	37 902 953	-	-	-	37 902 953
Money market investments	3 438 998	100 000	-	-	3 538 998
Mortgages and other advances	29 344 050	14 329 186	16 054 809	45 242 293	104 970 338
Treasury bills	-	21 404 006	36 082 892	98 458 293	155 945 191
	70 686 001	35 833 192	52 137 701	143 700 586	302 357 480
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(257 843 360)	(70 786 624)	(9 530 059)	(8 945 816)	(347 105 859)
	(257 843 360)	(70 786 624)	(9 530 059)	(8 945 816)	(347 105 859)
Period gap	(187 157 359)	(34 953 432)	42 607 642	134 754 770	(44 748 379)
Cumulative gap	(187 157 359)	(222 110 791)	(179 503 149)	(44 748 379)	-

Impact evaluation

The Group has evaluated this risk as moderate. Adequate systems are in place to ameliorate the risk.

Strategies for management / mitigation

The Assets and Liabilities Committee (ALCO) reviews the gap analysis and appropriate action is taken to keep risk within acceptable limits. Lending is linked to the Group's prime rate and is funded through short-term borrowings thus narrowing the gap.

Monitoring and controlling mechanisms

ALCO meets regularly to discuss the future direction of interest rates after the economic fundamentals have been analyzed. Decisions are then taken on rate sensitive assets and liabilities. If economic fundamentals turn out differently, ad-hoc ALCO meetings are convened to discuss the said issues and chart a way forward.

Adequacy and effectiveness of risk management systems

The interest rate risk management systems noted above are adequate and effective in dealing with the interest rate risk.

Sensitivity analysis

A 2% change in the rate for rate sensitive assets would result in the reported profits being increased or decreased by US$4.8 million (2017: US$5.3 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits being increased or decreased by US$5.8 million (2017: US$6.9 million).

13.2.2.2 Foreign exchange risk

Definition

Foreign exchange risk is the risk that arises from adverse changes in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows.

Identification techniques

The risk is identified through the analysis of the Group's open foreign exchange positions.

Measurement methods

The risk is measured through the Group's open foreign exchange positions.

Impact evaluation

The Group has evaluated this risk as moderate in view of the low volumes traded and the multi-currency environment.

Strategies for management/mitigation

The risk is managed through ALCO directives, compliance with the requirements of the Reserve Bank of Zimbabwe and market analysis techniques.

Monitoring and controlling mechanisms

The risk is controlled through the use of dealer limits placed on the overall foreign exchange position.

Adequacy and effectiveness of risk management system

Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 30 June 2018 were as follows:

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Botswana pula	26 084	167 057
British pound	159 713	375 480
Japanese yen	-	-
Malawian kwacha	474	474
Euro	580 186	638 200
South African rand	1 539 846	1 794 984
Zambian kwacha	362	359
Total assets	2 306 665	2 976 554
Botswana pula	(213 834)	(280 465)
British pound	(43 949)	(46 264)
Euro	(60 698)	(20 767)
South African rand	(2 036 682)	(2 897 397)
Total liabilities	(2 355 163)	(3 244 893)
	(48 498)	(268 339)

The Group's main exposure to foreign currency risk arises from the commitments for licence and support fees for information technology platforms that were sourced from foreign suppliers.

Sensitivity analysis

A 10% change in exchange rates would result in the reported profit being reduced or increased by US$3 601 (2017: US$19 924) and equity being reduced or increased by US$4 850 (2017: US$26 837).

13.2.2.3 Equity price risk

Definition

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment or index of equity prices.

Identification techniques

The Group tracks the performance of all its equity investments using price listings obtained from Zimbabwe Stock Exchange on a daily basis.

Measurement methods

Based on the price lists from the members of the Zimbabwe Stock Exchange, the Group quantifies the risk.

Impact evaluation

Equity price risk is assessed as moderate. Trends on the Zimbabwe Stock Exchange have not been easily predictable while current exit prices would crystalise losses on the statement of financial position.

Strategies for management/mitigation

The Group manages its exposure to equity price risk by maintaining a diversified portfolio.

Adequacy and effectiveness of risk management system

The risk management system has proved adequate and effective in managing equity price risk.

Sensitivity analysis

A 10% increase / (decrease) in the value of listed shares as at 30 June 2018 would result in an increase / (decrease) of US$2 025 768 (2017: US$1 526 874) to the reported Group's profit and an increase / (decrease) of US$2 046 231 (2017: US$1 542 297) in equity.

13.2.3 Credit risk

Definition

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets as well as settlement balances with market counterparties.

Past due but not impaired loans

Past due but not impaired loans are those for which interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms and the Group's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to the deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a risk of default, there is evidence that the debtor made all the reasonable effort to pay under the original contractual terms and it is expected to be able to meet revised terms.

The revised terms usually include extending maturity, changing timing of interest repayments and amendments to the terms of loan covenants.

Both retail and corporate loans are subject to the forbearance policy. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

The Group's credit committees regularly reviews reports on forbearance activities on a quarterly basis.

Credit–related commitments

The Group makes available to its customers guarantees that may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

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Write off policy

The Group writes off a loan and any related allowances for impairment losses, after assessment by the Group's Bad Debts Review Committee and / or the Loans Review Committee determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans write off decisions generally are based on a product specific past due status.

Impairment assessment

The Group's impairment assessment and measurement approach is defined as follows:

- The Group's definition and assessment of default and cure
- An explanation of the Group's internal grading system
- How the Group defines, calculates and monitors the probability of default, exposure at default and loss given default
- When the Group considers there has been a significant increase in credit risk of an exposure
- The Group's policy of segmenting financial assets where ECL is assessed on a collective basis
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit -impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

- Internal rating of the borrower indicating default or near–default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

The Group's internal rating and PD estimation process

The Group's independent Credit Risk Department operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rated from 1 to 22 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from rating agencies. These information sources are first used to determine the PDs within the Group's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, such as the rating of rating agencies, and assigns the internal rating.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income / salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Exposure at default

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

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the life time of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding with the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

Loss given default

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Group's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

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

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Group estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS9, LGD rates are estimated for the Stage1, Stage2, Stage3 and POCI, IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that events explained under the definition of default are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Grouping financial assets measured on a collective basis

Dependant on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Corporate lending portfolio
- The large and unique exposures of the Small business lending portfolio
- The treasury,trading and interbank relationships (such as Due from banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost / FVOCI
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Asset classes where the Group calculates ECL on a collective basis include:

- The smaller and more generic balances of the Group's Small business lending
- Stage 1 and 2 Retail mortgages and Consumer lending
- Purchased POCI exposures managed on a collective basis.

The Group groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail mortgages these are:

- Product type (buy to let/owner occupied)
- Property type (low density, medium density, high density, commercial)
- Geographic location
- Loan-to-value ratios
- Internal grade
- Exposure value

For consumer lending these are:

- Product type (overdraft, unsecured personal loan, credit card, etc.)
- Internal grade
- Geographic location/residence of the borrower
- Utilisation
- In the case of credit cards, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending these are:

- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

Identification techniques

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

Measurement methods

The risk is measured through assessing the risk of default using a credit risk-rating matrix.The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification.

Internal rating grade

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	2017 TOTAL PER IAS 39 US$
Total loans and advances	87 795 731	2 697 961	12 518 885	103 012 577	114 337 992
Guarantees	15 629 350	-	-	15 629 350	13 565 238
Loan commitments	33 743 141	-	-	33 743 141	-
Treasury bills	187 153 759	-	-	187 153 759	155 945 191
Insurance debtors	4 157 943	-	1 730 458	5 888 401	4 623 633
Other financial assets	9 670 928	-	-	9 670 928	3 224 382
Total financial assets	338 150 852	2 697 961	14 249 343	355 098 156	291 696 436
Total loans and advances					
Performing					
Good (AAA to- BBB-)	87 458 972	263 716	187 422	87 910 110	43 011 720
Special Mention (BB+ to CCC-)	336 759	2 434 245	173 335	2 944 339	57 632 701
Non - performing	-	-	-	-	-
Non performing (CC TO D)					
individually impaired	-	-	12 158 128	12 158 128	13 693 570
Total loans and advances	87 795 731	2 697 961	12 518 885	103 012 577	114 337 992
Corporate Lending					
Good (AAA to- BBB-)	44 534 856	-	-	44 534 856	22 464 482
Special Mention (BB+ to CCC-)	-	2 051 730	-	2 051 730	34 464 324
Non performing (CC TO D)	-	-	9 420 831	9 420 831	8 444 715
Total corporate lending	44 534 856	2 051 730	9 420 831	56 007 417	65 373 521
Small business Lending					
Good (AAA to- BBB-)	1 496 246	-	-	1 496 246	713 929
Special Mention (BB+ to CCC-)	-	4 414	-	4 414	446 915
Non performing (CC TO D)	-	-	122 667	122 667	803 123
Total small business Lending	1 496 246	4 414	122 667	1 623 327	1 963 967
Consumer Lending					
Good (AAA to- BBB-)	24 361 859	10 968	166 326	24 539 153	13 988 573
Special Mention (BB+ to CCC-)	93 433	243 541	25 512	362 486	11 965 319
Non performing (CC TO D)	-	-	2 277 839	2 277 839	4 026 999
Total consumer lending	24 525 316	254 479	2 399 682	27 179 477	29 980 891
Mortgage Lending					
Good (AAA to- BBB-)	17 066 011	252 748	21 096	17 339 855	5 382 805
Special Mention (BB+ to CCC-)	243 326	134 560	147 824	525 710	11 196 997
Non performing (CC TO D)	-	-	336 791	336 791	318 734
Total Mortgage Lending	17 309 337	387 308	505 711	18 202 356	16 898 536
Guarantees					
Good (AAA to- BBB-)	15 629 350	-	-	15 629 350	13 565 238
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Total guarantees	15 629 350	-	-	15 629 350	13 565 238
Loan commitments					
Good (AAA to- BBB-)	33 743 141	-	-	33 743 141	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Total loan commitments	33 743 141	-	-	33 743 141	-

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	2017 TOTAL PER IAS 39 US$
Total loans and advances	5 053 906	111 914	4 021 476	9 187 296	5 961 145
Insurance debtors	-	-	1 730 458	1 730 458	1 655 659
Other financial assets	14 665	-	-	14 665	-
Total impairment allowances	5 068 571	111 914	5 751 934	10 932 419	7 616 804

Treasury bills assessed for impairment at 30 June 2018 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	2017 TOTAL PER IAS 39 US$
Total loans and advances					
Good (AAA to- BBB-)	5 036 989	10 724	9 906	5 057 619	2 450 725
Special Mention (BB+ to CCC-)	16 917	101 190	14 161	132 268	227 628
Non performing (CC TO D)	-	-	3 997 409	3 997 409	3 282 792
	5 053 906	111 914	4 021 476	9 187 296	5 961 145
Impairment allowance for loans and advances by lending category:					
Corporate Lending					
Good (AAA to- BBB-)	2 575 736	-	-	2 575 736	1 225 350
Special Mention (BB+ to CCC-)	-	37 203	-	37 203	91 304
Non performing (CC TO D)	-	-	2 460 442	2 460 442	2 042 925
Impairment allowance for corporate lending	2 575 736	37 203	2 460 442	5 073 381	3 359 579
Small business Lending					
Good (AAA to- BBB-)	55 683	-	-	55 683	124 054
Special Mention (BB+ to CCC-)	-	901	-	901	2 390
Non performing (CC TO D)	-	-	80 285	80 285	111 084
Impairment allowance for small business lending	55 683	901	80 285	136 869	237 528
Consumer Lending					
Good (AAA to- BBB-)	1 739 744	968	8 658	1 749 370	650 038
Special Mention (BB+ to CCC-)	13 010	46 403	5 873	65 286	44 559
Non performing (CC TO D)	-	-	1 335 428	1 335 428	1 009 252
Impairment allowance for consumer lending	1 752 754	47 371	1 349 959	3 150 084	1 703 849
Mortgage Lending					
Good (AAA to- BBB-)	665 826	9 756	1 248	676 830	116 045
Special Mention (BB+ to CCC-)	3 907	16 683	8 288	28 878	89 376
Non performing (CC TO D)	-	-	121 254	121 254	454 769
Impairment allowance for mortgage lending	669 733	26 439	130 790	826 962	660 190

Impairment allowances on guarantees and loan commitments included in provisions under other liabilities

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	2017 TOTAL PER IAS 39 US$
Guarantees					
Good (AAA to- BBB-)	833 796	-	-	833 796	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Impairment allowances for guarantees	833 796	-	-	833 796	-
Loan commitments					
Good (AAA to- BBB-)	1 447 048	-	-	1 447 048	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Impairment allowances for loan commitments	1 447 048	-	-	1 447 048	-
Insurance debtors	-	-	1 730 458	1 730 458	1 655 659

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
ECL Movement		
Balance at beginning of period	7 616 804	6 684 196
Impact of IFRS 9 adoption at 1 Jan 2018	4 461 995	-
Increase / decrease in respect of impairments are:		
Loans and advances	(1 161 050)	932 608
	10 917 747	7 616 804
Analysis of guarantees and loan commitments		
Guarantees		
Impact of IFRS 9 adoption at 1 Jan 2018	592 613	-
ECL for current period	241 183	-
Balance at end of period	833 796	-
Loan commitments		
Impact of IFRS 9 adoption at 1 Jan 2018	816 200	-
ECL for current period	630 848	-
Balance at end of period	1 447 048	-
Analysis of insurance debtors		
Balance at beginning of period	1 655 659	1 272 740
ECL for current period	74 799	382 919
Balance at end of period	1 730 458	1 655 659

	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Analysis of net impairment movement posted in the statement of profit or loss		
Loans and advances	1 605 257	(908 924)
Other financial assets	(8 236)	-
Guarantees	(241 183)	-
Loan commitments	(630 848)	-
Net recoveries against loans previously written off	4 469	-
Insurance debtors	(74 799)	(382 919)
	654 660	(1 291 843)

Impact evaluation
Credit risk is rated high due to increased market wide company failures as well as apparently increased debt burden on individuals due to the proliferation of credit facilities.

Strategies for management/mitigation
The Group has a credit risk management process which operates through a hierarchy of exposure discretions. All exposures above a certain level require the approval of the Board Credit Committee which comprises executive and non-executive directors. Exposures below the Board Credit Committee's discretion are approved according to a system of tiered exposure discretions delegated to management committees.

A substantial portion of the Group's individual and corporate borrowings is insured for non-performance whilst security of various other forms is obtained for large exposures.

Monitoring and controlling mechanisms
Regular credit audits and reviews are conducted and problem accounts are highlighted and management action is taken as appropriate.

Adequacy and effectiveness of risk management systems
The credit risk management and control techniques alluded to above are adequate and effective and all staff members are required to adhere to them.

The Group has issued financial guarantees in respect of clients graded 1 to 4, and for which the maximum amount payable by the Group, assuming all guarantees are called on is US$15 629 350 (2017: US$13 565 238).

Sensitivity analysis
A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by US$2 880 699 (2017: US$8 095 343) and the total assets in the statement of financial position reducing by US$2 880 699 (2017: US$11 715 402).

13.3 Other business risks

13.3.1 Operational risk

Definition
Operational risk is inherent in all business activities and this is the potential of loss arising from deficiencies in internal control systems, poor operational standards, errors and deliberate acts of fraud and collusion to override internal control systems.

Identification techniques
The Board Audit Committee, through the medium of the internal audit function, assesses the efficacy of the internal accounting controls and makes recommendations for improvement to the Board of Directors.

Measurement methods
The risk is measured by the extent of loss due to system failure reported during the period.

Impact evaluation
The Group has assessed this risk category as medium based on the adequate internal control system.

Strategies for management/mitigation
The Group manages the risk through staff training and development, segregation of duties, reviewing the work performed and regular internal and independent audits. Further, the Group has administration manuals to guide staff in the execution of their duties and these manuals are reviewed regularly.

In addition, the Group has comprehensive insurance arrangements in place to mitigate the impact of any loss events.

Monitoring and controlling mechanisms
Any losses incurred as a result of this risk are reported through the line to the Board Audit Committee and lessons learnt from each incident are used as case studies in training staff, improving the control procedures and the control environment.

Adequacy and effectiveness of risk management systems
Management is confident that the operational risk management systems noted above are adequate, effective and are adhered to in all material respects by all staff members.

13.3.2 Legal, reputational and compliance risks

Definition
Legal risk is the risk that the Group can be involved in litigation resulting in loss of money and/or impaired reputation. Compliance risk refers to the risk of failure to comply with material rules, regulations and laws.

Identification techniques
All agreements entered into by the Group are reviewed by the Legal Department to make sure that they are consistent with normal market practices.

13.3.2 Legal, reputational and compliance risks (continued)

Measurement methods
The Group has a Compliance Department which monitors and ensures that the Group is complying with all the rules, regulations and laws of the country in all material respects. The Group Compliance Officer reports to the Board Audit Committee on a quarterly basis on all compliance related issues.

Impact evaluation
The Group considers this risk as medium with the removal of the Group from the American sanctions listing being a major milestone.

Strategies for management through mitigation
The Group manages this risk through staff training and development, regular and independent audits.

Monitoring and controlling mechanisms
Any losses incurred are reported to the Board Audit, Board risk and Board Executive Committees. Lessons learnt are used in staff training to avoid recurrences.

Adequacy and effectiveness of the risk management system
The management system for legal, reputational and compliance risks is adequate and effective and all staff members adhere to the system.

13.3.3 Technological risk

Definition
This includes innovation, or the lack thereof, obsolescence, explosions and dependability of the technological platform.

Identification techniques
An Information Technology Committee which reviews developments and proposes enhancements to the technological platform is in place. The Group also has Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) and these are tested and maintained up to date. Access to computer systems is restricted to authorized personnel through a hierarchy of authority levels.

Impact evaluation
The Group considers this risk as low in view of the stability of the current technology platform, the in-house expertise that has been gained over the years and the strong support available from system vendors.

Measurement methods
The Group measures the risk through setting and monitoring the maximum tolerances for system downtimes, ensuring that the reports are available at the appropriate times and generally that operational efficiency is being achieved.

Strategies for management/mitigation
The Group manages this risk through staff training and development, regular and independent audits. Issues are also escalated to the vendor as appropriate and these are always resolved expeditiously. Further, the Group updates BCPs and DRPs regularly and also conducts business continuity and disaster recovery tests twice per year.

Monitoring and controlling mechanisms
The deadlines for the production of all reports are monitored strictly. Any system breakdowns are attended to and reported promptly to ensure that appropriate corrective action is instituted. The Group constantly reviews new technologies and adopts them where appropriate. All computer rooms are temperature controlled and well ventilated. Access is restricted to authorized persons only. There are various levels of access to the system based on the seniority of the officers concerned.

Adequacy and effectiveness of risk management systems
The management system for identifying, monitoring and controlling technological risk is adequate and effective and all staff members adhere to the system.

13.3.4 Solvency risk

Definition
Solvency risk is the risk that the Group may incur liabilities that are far in excess of its ability to pay leading to financial distress.

Identification techniques
The Group strictly monitors the assets and liabilities and has set limits to the liabilities that can be incurred and the placements arising there from. The loan/deposit ratio is monitored regularly and corrective action instituted where appropriate.

Impact evaluation
The Group considers this risk as medium as there are adequate systems of identifying, monitoring and controlling solvency risk. However, funding pressures remain pronounced whilst revenue expansion, as source of funding, is constrained.

Measurement methods
The Group measures this risk through setting maximum levels for loan/deposit ratios and reviewing the relationship between liabilities and assets through maturity profiles and term structures.

Strategies for management/mitigation
The Group manages the risks through setting limits for the loan/deposit ratio and ensuring that these limits are not exceeded.

Adequacy and effectiveness of risk management systems
The management system for identifying, monitoring and controlling solvency risk is adequate and effective and all staff members adhere to the system.

13.3.5 Underwriting risk

Definition
Underwriting risk in reinsurance business is the probability of losses incurred in a given reinsurance period exceeding premium in the corresponding period. On the other hand in life assurance business underwriting risk is the risk that the actual exposure to mortality and disability risks will exceed the best estimate of the statutory valuator, thereby causing financial loss.

Impact evaluation
The underwriting risk in reinsurance business would only materialise in the case of a catastrophe. The risk in case of a catastrophe has been reinsured and is limited to US$75 000 (2017: US$75 000) and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Measurement methods
In life assurance business, all applications for life and disability cover are assessed using sound underwriting techniques and methods, including HIV testing, where necessary. Mortality and disability investigations are periodically carried out and actuarial assumptions are adjusted accordingly.

Strategies for management/mitigation
In reinsurance business, this is normally mitigated by the purchase of reinsurance from the London insurance market annually. All mortality and disability risks above periodically determined retention levels are reassured with professional reassurance firms.

Details of underwriting risk in reinsurance business are as follows:

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Total insurance risk before retrocession	6 000 000	6 000 000
Retroceded risk	(5 000 000)	(5 000 000)
Insurance risk after reinsurance	1 000 000	1 000 000

13.4 Risk rating

13.4.1 Regulatory risk rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The last on-site examination of the banking operations was concluded on 9 December 2014 using data as at 30 September 2014.

ZB Bank Limited and ZB Building Society were assessed using the Risk Assessment System (RAS) and the CAMELS rating model. The individual components of the rating systems were rated as follows

CAMELS Component	Latest Rating	
	ZB Bank Limited	ZB Building Society
Capital Adequacy	4	4
Asset Quality	4	2
Management	3	3
Earnings	4	3
Liquidity and Funds Under Management	2	2
Sensitivity to Market Risk	2	2
Composite rating	**4**	**3**

Key: 1 = Strong; 2 = Satisfactory; 3 = Fair; 4 = Weak; 5 = Critical

Summary of Risk Assessment

RAS Component	Latest Rating	
	ZB Bank Limited	ZB Building Society
Aggregate inherent risk	High	Moderate
Quality of aggregate risk management systems	Acceptable	Acceptable
Overall composite risk	High	Moderate
Direction of overall composite risk	**Increasing**	**Stable**

Overall Risk Matrix – ZB Bank Limited

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

Overall Risk Matrix – ZB Building Society

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

Interpretation of risk matrix

Level of Inherent Risk

Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.
Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.
High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.
Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.
Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.
Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate polices and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low -would be assigned to low inherent risk areas. Moderate risk areas may be assigned alow composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.
High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk

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

13.4.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR). The ratings for the last three (3) years were as follows:

Long-term debt rating scale:

Entity	2018	2017	2016
ZB Bank Limited	BB-	BB-	BB-
ZB Building Society	BB	BB	BB
ZB Reinsurance Company	A-	A-	A-

Ratings for ZB Bank Limited and ZB Building Society expire in September 2018 whilst the rating for ZB Reinsurance Company will expire in May 2019.

14. COMPLIANCE WITH REGULATIONS

14.1 Regulatory capital requirements
Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of US$25 million and US$20 million respectively as at 30 June 2018. ZB Building Society (ZBBS) did not meet these requirements as at 31 December 2017.

14.2 Corrective orders and regulatory penalties
Pursuant to a targeted corporate governance inspection, the Reserve Bank of Zimbabwe issued corrective orders on the Holding Company and ZB Bank Limited on 7 March 2017 in terms of Section 48(4) of the Banking Act (Chapter 24:20) in respect of:

a) identified governance deficiencies relating to the composition of the board,
b) an executive appointment deemed to be irregular for lack of regulatory approval
c) a decision made by the board to honour a dividend claim made by a shareholder, Transnational Holdings Limited, amounting to $658 699 which had the effect of increasing the dividends paid for the year ended 2015 beyond the level approved by shareholders at a general meeting.
d) a violation of Section 35(10) of the Banking Act (Chapter 24:20) in relation to terms of a short-term inter-company accommodation facility.

Total penalties amounting to $55 600.00 were paid in respect of the irregular executive appointment ($36 000.00) and the accommodation facility ($19 600.00).

Following a resolution of the shareholders at the general meeting held on 12 May, 2017, a refund claim has been raised for the dividend wrongly paid to Transnational Holdings Limited.

An onsite review of the level of compliance with the corrective order was carried out in March 2018 and noted progress made as well as matters that requires further action by the company.

14.3 Other compliance issues
The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

15. BOARD ATTENDANCE DURING THE PERIOD

ENTITY	ZBFH	ZBBL	ZBBS	ZBRE	ZBLA
TOTAL MEETINGS	3	2	2	2	2
PROF C MANYERUKE	3	X	X	X	X
R MUTANDAGAYI	3	2	2	2	2
O AKERELE	3	X	X	X	X
T S BVURERE	2	X	X	X	X
P CHIROMO	3	X	X	X	X
F KAPANJE	3	X	X	X	X
A Z MANGWIRO	3	X	X	X	X
J MUTEVEDZI	3	X	X	X	X
B P NYONI	2	X	X	X	X
S A SIBANDA	X	2	2	X	X
P M MATUPIRE	X	2	X	X	X
C MANDIZVIDZA	X	2	X	X	2
G N MAHLANGU	X	2	X	X	X
G CHIKOMO	X	2	X	X	X
G. NHEWEYEMBWA	X	2	X	X	X
C SANDURA	X	X	2	X	X
S K CHIGANZE	X	X	2	X	X
C MAKONI	X	X	2	X	2
E MUNGONI	X	X	2	X	X
M T SACHAK	X	X	2	X	X
F B CHIRIMUUTA	X	X	X	2	X
P MURAMBINDA	X	X	X	2	X
A G CHINEMBIRI	X	X	X	X	2
E T Z CHIDZONGA	X	X	X	X	2
M MKUSHI	X	X	X	X	1
L MAWIRE	X	X	X	X	2
B SHUMBA	X	X	X	2	X

KEY

ZBFH - ZB Financial Holdings Limited Board
ZBBL - ZB Bank Limited Board
ZBBS - ZB Building Society Board
ZBRE - ZB Reinsurance Company Board
ZBLA - ZB Life Assurance Board

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Since 1951

ZB FINANCIAL HOLDINGS

Reviewed Financial Results for the Half Year ended 30 June 2018

ZB BANK LIMITED
Registered Commercial Bank
(A member of the Deposit Protection Corporation)

REVIEWED FINANCIAL RESULTS 30 JUNE 2018

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
ASSETS			
Cash and cash equivalents	1	87 128 950	73 464 239
Money market investments	2	25 000 000	33 000 000
Treasury bills	3	187 153 759	155 945 191
Advances and other accounts	4	90 176 144	97 748 186
Inventories, trade and other receivables	5	18 563 491	24 523 566
Investment securities	6	41 691 851	19 620 751
Investment in subsidiary company	7	22 771 403	22 657 722
Intangible assets	8	5 231 469	6 097 435
Property and equipment	9	9 516 665	9 135 847
Deferred tax assets		1 932 738	95 614
Total assets		489 166 470	442 288 551
LIABILITIES			
Deposits from customers	10	399 567 884	355 174 341
Trade and other payables	11	27 480 873	24 980 187
Total liabilities		427 048 757	380 154 528
EQUITY AND RESERVES			
Share capital	12	1 810 402	1 810 402
Share premium		32 958 032	32 958 032
Revaluation reserves		754 668	754 668
Other reserves		1 688 001	2 408 347
Retained income		24 906 610	24 202 574
Total equity		62 117 713	62 134 023
Total equity and liabilities		489 166 470	442 288 551

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 30 June 2018

	Notes	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Interest and related income	13.1	12 347 736	11 627 940
Interest and related expenses	13.2	(3 064 917)	(3 739 637)
Net interest income		9 282 819	7 888 303
Net recoveries / (loan impairment charges)	4.11	529 880	(931 949)
Net income from lending activities		9 812 699	6 956 354
Commission and fee income		18 612 929	15 023 136
Other income	14	1 658 487	2 867 959
Fair value adjustments	15	100 792	1 111 830
Total income		30 184 907	25 959 279
Operating expenses	16	(21 841 840)	(19 255 273)
Profit before taxation		8 343 067	6 704 006
Income tax expense	17	(434 536)	(524 075)
Profit for the period		7 908 531	6 179 931
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value adjustment on financial assets at (FVOCI)		(970 162)	(1 598 489)
Related tax		249 816	411 611
Other comprehensive loss net of tax		(720 346)	(1 186 878)
Total comprehensive income for the period		7 188 185	4 993 053
Earnings per share (US cents)			
Basic and fully diluted earnings per share		0.04	0.03

STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2018

	Share capital US$	Share premium US$	Revaluation equipment US$	General reserve US$	FVOCI financial assets reserve US$	Retained income US$	Total US$
Balance at 31 December 2017	1 810 402	32 958 032	754 668	-	2 408 347	24 202 574	62 134 023
Changes on initial application of IFRS 9	-	-	-	-	-	(2 208 868)	(2 208 868)
Restated balance at 1 January 2018	1 810 402	32 958 032	754 668	-	2 408 347	21 993 706	59 925 155
Profit or loss							
Profit for the period	-	-	-	-	-	7 908 531	7 908 531
Other comprehensive income, net of tax							
Fair value losses on FVOCI financial assets	-	-	-	-	(720 346)	-	(720 346)
Transactions with owners of the Bank							
Distributions							
Dividend paid	-	-	-	-	-	(4 995 627)	(4 995 627)
Balance as at 30 June 2018	1 810 402	32 958 032	754 668	-	1 688 001	24 906 610	62 117 713

For the half year ended 30 June 2017

	Share capital US$	Share premium US$	Revaluation equipment US$	General reserve US$	FVOCI financial assets reserve US$	Retained income US$	Total US$
Balance at 31 December 2016	1 810 402	32 958 032	1 185 058	286 189	4 005 204	15 937 692	56 182 577
Profit or loss							
Profit for the period	-	-	-	-	-	6 179 931	6 179 931
Other comprehensive income, net of tax							
Fair value gains on available for sale financial assets	-	-	-	-	(1 186 879)	-	(1 186 879)
Distributions							
Dividend to equity holders	-	-	-	-	-	(3 972 347)	(3 972 347)
Other movements							
Regulatory reserve in respect of doubtful debts	-	-	-	(286 189)	-	286 189	-
Balance as at 30 June 2017	1 810 402	32 958 032	1 185 058	-	2 818 325	18 431 465	57 203 282

STATEMENT OF CASH FLOWS
For the half year ended 30 June 2018

	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Cash generated from / (used in) operating activities	10 913 417	(22 305 527)
Interest and related income	12 347 736	11 627 940
Dividends received	441 865	1 904 339
Interest and related expenses	(3 064 917)	(3 739 637)
Income taxes paid	(361 936)	-
Net cash generated from / (used in) operating activities	20 276 165	(12 512 885)
Investing activities		
Proceeds on disposal of property and equipment	1 947	25 814
Purchase of property and equipment	(1 584 983)	(203 441)
Purchase of intangible assets	(51 137)	(81 570)
Net cash used in investing activities	(1 634 173)	(259 197)
Cash flows from financing activities		
Dividend paid	(4 995 627)	(3 972 347)
Net cash used in financing activities	(4 995 627)	(3 972 347)
Net increase /(decrease) in cash and cash equivalents	13 646 365	(16 744 429)
Cash and cash equivalents at the beginning of the period	73 464 239	80 689 392
Effect of exchange rate fluctuations on cash and cash equivalents	18 346	(402 626)
Cash and cash equivalents at end of the period	87 128 950	63 542 337
- Cash on hand	6 064 209	6 383 654
- Local bank accounts	76 622 476	55 035 840
- Foreign bank accounts	4 442 265	2 122 843
	87 128 950	63 542 337

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 30 June 2018

1. CASH AND CASH EQUIVALENTS

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Balances with the Reserve Bank of Zimbabwe	76 622 476	64 809 565
Balances with other banks and cash	10 506 474	8 654 674
	87 128 950	73 464 239

2. MONEY MARKET INVESTMENTS

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Placements with other banks	25 000 000	33 000 000
	25 000 000	33 000 000

The Bank invested in money market placements which had maturities ranging from 8 days to 60 days and average interest rates ranging from 3.93% to 6.25%.

3. TREASURY BILLS

3.1 Reported in the statements of financial position

The Reserve Bank of Zimbabwe (RBZ) has issued various forms of treasury bills which the Bank has participated in. The Bank has three categories of treasury bills classified as follows:

a) as ''at fair value through profit or loss''(FVTPL);
b) as "at fair value through other comprehensive income" (FVOCI); and
c) as at amortised cost

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Treasury bills include:		
Assets classified as at FVTPL ❶		
Treasury bills acquired from the primary market	17 256 428	11 428 236
Assets classified as at FVOCI:		
Medium term treasury bills acquired from the secondary market ❷	131 837 407	105 694 046
Assets at AMCO:		
Treasury bills issued as substitution for debt instruments ❸	22 339 314	23 485 728
Capitalization treasury bills ❹	15 720 610	15 337 181
	187 153 759	155 945 191

1. The Bank invested in treasury bills issued by the RBZ over a period ranging from 3 months to 24 months at rates ranging from 7% to 9.875%
2. The Bank purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 0% to 5% with maturity periods ranging from 1 month to 3 years.
3. The Bank received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have a coupon rate of 5% and with maturity periods ranging from 1 month to 14 years.
4. The Capitalisation Treasury Bills (CTBs) with a face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe by the holding company, ZB Financial Holdings Limited (ZBFH). The CTBs were then used to recapitalise ZB Bank Limited, a 100% owned subsidiary of ZBFH. The CTBs mature on 26/05/2025 and carry a coupon of 1% which is payable on maturity.
5. Treasury bills amounting to $44 million were used as security for the Bank to access fixed deposits.

Classification:-
The CTBs have been classified as at amortised cost in terms of IFRS 9.

Measurement of fair value at initial recognition:-
The computation of the fair value at initial recognition falls into Level 3 of the fair value hierarchy in terms of IFRS 13:"Fair Value" due to the absence of a recognizable market in which similar instruments are traded. The valuation was constructed as follows:

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 GoZ 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	Reduction in capital US$
3.93%	Minima	3 897 938
4.63%	Average	4 688 534
5.5%	Maxima	5 610 523

3.1 Reported in the statements of financial position (continued)

Impairment assessment

The CTBs impairment assessment was performed as at 30 June 2018, and they were considered to be of low credit risk, hence there was no IFRS 9 impairment charge raised for the CTBs. There was no objective evidence at 30 June 2018 to suggest that future cash flows on the CTBs could end up being less than anticipated at the point of initial recognition. Additionally, interest rate scenarios assessed to be applicable in the valuation of the CTBs given their peculiarity, were assessed to be similar to those applicable as at the end of the previous year. Consequently, no impairment adjustment arose from the assessment.

3.2 Contingent assets

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
In respect of treasury bills held in trust on behalf of customers	39 648	1 573 494

The Bank previously held balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporates and tobacco farmers. These balances were expunged through issuance of treasury bills in terms of the Reserve Bank of Zimbabwe (Debt assumption) Act,2015. The Bank received treasury bills amounting to US$6.8million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US$6.796 million (2017: US$5.2 million) of these treasury bills had been passed on to customers as at 30 June 2018.

These treasury bills have been accounted for as off statement of financial position (SOFP) assets as at 30 June 2018 as the Bank is holding them on behalf of customers.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
4. ADVANCES AND OTHER ACCOUNTS		
4.1. Loans, overdrafts and other accounts at amortised cost	80 908 834	89 392 474
Mortgage loans	13 172 705	11 415 691
Finance leases	3 617 018	2 841 087
Bills discounted	982 502	1 399 977
Gross advances	98 681 059	105 049 229
Contingent exposures		
In respect of guarantees	15 629 350	13 565 238
Gross credit exposure	114 310 409	118 614 467
Gross advances	98 681 059	105 049 229
Less: Allowance for loan impairment	(8 504 915)	(5 338 879)
Less: Interest reserved	-	(1 962 164)
Net advances	90 176 144	97 748 186
4.2 Determination of carrying amount		
Loans and advances are carried at amortised cost using the effective interest rate.		
4.3 Maturity analysis		
- On demand	21 965 012	24 294 370
- Within 1 month	1 499 967	3 854 733
- Between 1 and 6 months	11 587 574	13 825 179
- Between 6 and 12 months	9 185 662	14 665 172
- After 12 months	54 442 844	48 409 775
	98 681 059	105 049 229
4.4 Loans and advances to customers by business line.		
Corporate lending	59 763 554	65 373 521
Small business lending	1 402 509	1 710 959
Consumer lending	24 342 291	26 549 058
Mortgage lending	13 172 705	11 415 691
	98 681 059	105 049 229
4.5 Mortgage loans		
Mortgage advances were spread as follows:		
Type of property:		
High density	517 044	313 165
Medium density	1 132 381	995 736
Low density	6 468 155	4 861 907
Commercial	5 055 125	5 244 883
	13 172 705	11 415 691

4.6 Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Bank is the lessor.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Gross investment in finance leases:		
Less than 1 year	983 875	816 012
Between 1 and 5 years	3 056 087	2 349 113
Gross investment in finance leases	4 039 962	3 165 125
Unearned finance charges	(422 944)	(324 038)
Net investment in finance leases	3 617 018	2 841 087
Less than 1 year	942 132	780 903
Between 1 and 5 years	2 674 886	2 060 184
	3 617 018	2 841 087

4.7 Sectoral analysis of advances	Reviewed 30 June 2018 US$	%	Audited 31 Dec 2017 US$	%
Private	37 892 209	38%	37 016 658	35%
Agriculture	13 027 193	13%	12 748 770	12%
Mining	384 053	0%	669 365	1%
Manufacturing	8 307 767	8%	11 934 398	11%
Distribution	5 957 807	6%	6 656 510	6%
Construction	1 676 233	2%	1 900 415	2%
Transport	2 906 859	3%	3 473 088	3%
Communication	477 948	0%	642 722	1%
Services	18 334 450	19%	19 933 603	19%
Financial	9 716 540	10%	10 073 700	10%
	98 681 059	100%	105 049 229	100%

4.8 Sectoral analysis of guarantees	Reviewed 30 June 2018 US$	%	Audited 31 Dec 2017 US$	%
Manufacturing	13 157 270	84%	11 905 000	88%
Distribution	158 760	1%	605 609	4%
Construction	366 950	2%	193 486	1%
Transport	742 694	5%	6 000	0%
Communications	6 000	0%	6 000	0%
Services	776 676	5%	849 143	6%
Financial	421 000	3%	-	-
	15 629 350	100%	13 565 238	100%

4.9 Non-performing debt	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Non-performing loans and advances	11 773 638	12 881 944
Less: Allowance for loan impairment	(8 504 915)	(5 338 879)
Less: Interest reserved	-	(1 962 164)
Value to be received from security held	3 268 723	5 580 901

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of security held in respect of the non-performing book amounted to US$12 411 486 as at 30 June 2018 (2017: US$21 586 351) out of which the value at risk of US$3 268 723 (2017: US$5 580 901) is expected to be recovered.

Non performing loans with a net carrying value of US$9 599 374 were transferred to a Special Vehicle called Credsave (Private) Limited (Credsave) on 31 December 2016, in a transaction that is yet to meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Group. The Group plans to offer the Credsave pool of assets as a "block" to interested investors upon which the assets will meet conditions for derecognition from the statement of financial position. In the meantime, recovery efforts continue with any recoveries resulting in the adjustment of the net exposure to the Group.

As at 30 June 2018, the carrying value of these assets stood at US$6 018 972, with a security value of US$12 194 300, thus implying a security coverage of 203%. The Bank has initiated legal proceedings for the recovery of amounts outstanding against existing security.

4.10 Loan impairment movement	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Balance at beginning of the year	5 338 879	4 201 761
IFRS9 adjustment as at 1 January 2018	4 202 306	-
(Credit)/charge to statement of profit or loss	(1 405 677)	3 280 494
Write offs charged to provision	369 407	(2 143 376)
Balance at end of the period	8 504 915	5 338 879
4.11 Analysis of recoveries/(loan impairment charges) to statement of profit or loss:		
Reduction/(increase) in impairment provision on loans and overdrafts	1 405 677	(3 280 494)
Net recoveries against loans previously written off	4 469	567 958
Impairment charges on other financial assets	(8 236)	-
Impairment charges on guarantees and unutilised facilities	(872 030)	-
Net recoveries/(net impairment charges) to statement of profit or loss	529 880	(2 712 536)

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification. Details of the Bank's internal grading system and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 1.5.1.2 under ZB Financial Holdings Group notes.

4.12 Internal rating grade

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	2017 TOTAL PER IAS 39 US$
4.12.1 Total loans and advances					
Good (AAA to- BBB-)	84 518 364	-	-	84 518 364	34 856 193
Special Mention (BB+ to CCC-)	-	2 389 067	-	2 389 067	57 411 092
Non performing (CC TO D) individually impaired	-	-	11 773 628	11 773 628	12 881 944
TOTAL	84 518 364	2 389 067	11 773 628	98 681 059	105 049 229
Corporate Lending					
Good (AAA to- BBB-)	48 290 962	-	-	48 290 962	22 464 482
Special Mention (BB+ to CCC-)	-	2 051 732	-	2 051 732	34 464 324
Non performing (CC TO D)	-	-	9 420 830	9 420 830	8 444 715
TOTAL	48 290 962	2 051 732	9 420 830	59 763 524	65 373 521
Small business Lending					
Good (AAA to- BBB-)	1 349 275	-	-	1 349 275	553 220
Special Mention (BB+ to CCC-)	-	4 414	-	4 414	446 915
Non performing (CC TO D)	-	-	48 820	48 820	710 823
TOTAL	1 349 275	4 414	48 820	1 402 509	1 710 958
Consumer Lending					
Good (AAA to- BBB-)	21 798 806	-	-	21 798 806	10 912 807
Special Mention (BB+ to CCC-)	-	241 804	-	241 804	11 909 846
Non performing (CC TO D)	-	-	2 301 681	2 301 681	3 726 406
TOTAL	21 798 806	241 804	2 301 681	24 342 291	26 549 059
Mortgage Lending					
Good (AAA to- BBB-)	13 079 291	-	-	13 079 291	825 684
Special Mention (BB+ to CCC-)	-	91 119	-	91 119	10 590 007
Non performing (CC TO D)	-	-	2 295	2 295	-
TOTAL	13 079 291	91 119	2 295	13 172 705	11 415 691
4.12.2 Other financial assets					
Debentures and bonds					
Good (AAA to BBB-)	34 670 928	-	-	34 670 928	8 895 928
4.12.3 Financial guarantees and loan commitments					
Financial guarantees					
Good (AAA to- BBB-)	15 629 350	-	-	15 629 350	13 565 238
TOTAL	15 629 350	-	-	15 629 350	13 565 238
Loan commitments					
Good (AAA to- BBB-)	33 743 141	-	-	33 743 141	-
TOTAL	33 743 141	-	-	33 743 141	-

An analysis of changes in the ECLs in relation to loans and advances are as follows:

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ZB FINANCIAL HOLDINGS

Reviewed Financial Results for the Half Year ended 30 June 2018

4.13 Impairment allowance for loans and advances

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	2017 TOTAL PER IAS 39 US$
4.13.1 Total loans and advances					
Good (AAA to- BBB-)	4 579 311	-	-	4 579 311	1 909 370
Special Mention (BB+ to CCC-)	-	95 393	-	95 393	146 717
Non performing (CC TO D)	-	-	3 830 211	3 830 211	3 282 792
TOTAL	4 579 311	95 393	3 830 211	8 504 915	5 338 879
Impairment allowance for loans and advances					
Corporate Lending					
Good (AAA to- BBB-)	2 575 735	-	-	2 575 735	1 225 350
Special Mention (BB+ to CCC-)	-	37 273	-	37 273	91 304
Non performing (CC TO D)	-	-	2 663 644	2 663 644	2 042 925
TOTAL	2 575 735	37 273	2 663 644	5 276 652	3 359 579
Small business Lending					
Good (AAA to- BBB-)	51 856	-	-	51 856	120 840
Special Mention (BB+ to CCC-)	-	901	-	901	2 390
Non performing (CC TO D)	-	-	17 875	17 875	53 468
TOTAL	51 856	901	17 875	70 632	176 698
Consumer Lending					
Good (AAA to- BBB-)	1 318 799	-	-	1 318 799	527 555
Special Mention (BB+ to CCC-)	-	46 022	-	46 022	37 080
Non performing (CC TO D)	-	-	1 148 692	1 148 692	829 659
TOTAL	1 318 799	46 022	1 148 692	2 513 513	1 394 294
Mortgage Lending					
Good (AAA to- BBB-)	632 922	-	-	632 922	35 625
Special Mention (BB+ to CCC-)	-	11 196	-	11 196	15 944
Non performing (CC TO D)	-	-	-	-	356 741
TOTAL	632 922	11 196	-	644 118	408 310
4.13.2 Impairment allowance on other financial assets					
Debentures and bonds					
Good (AAA to BBB-)	14 665	-	-	14 665	-
4.13.3 Impairment allowance on financial guarantees and loan commitments					
Financial guarantees					
Good (AAA to- BBB-)	833 796	-	-	833 796	-
TOTAL	833 796	-	-	833 796	-
Loan commitments					
Good (AAA to- BBB-)	1 447 048	-	-	1 447 048	-
TOTAL	1 447 048	-	-	1 447 048	-

5. INVENTORIES, TRADE AND OTHER RECEIVABLES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Inventories	1 441 484	1 971 424
Accrued interest	544 286	270 984
Remittances in transit	4 273 908	5 136 407
Advance payments and sundry assets	11 130 631	15 194 562
Amounts clearing from other banks	1 173 182	1 950 189
	18 563 491	24 523 566

Inventories are stated at the lower of cost and net realizable value. Average cost is used to determine the value of inventory. Remittances in transit relate mainly to transactions between entities which were still outstanding as at the end of the period.

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
6. INVESTMENT SECURITIES		
6.1 Carrying amounts		
Designated as at "Fair value through profit or loss"		
Unlisted equities	1 197 294	1 297 850
Listed equity investments	5 049 230	4 961 626
	6 246 524	6 259 476
Held at amortised cost		
Bank balances	562 962	4 362 818
Debentures	903 132	925 775
Bonds	33 979 233	8 072 682
	41 691 851	19 620 751
6.2 Movement of investment securities		
Balance at beginning of the period	19 620 751	12 349 662
Movements during the period:	21 976 679	6 064 550
-on bonds	25 775 000	7 500 000
-on bank balances	(3 798 321)	(1 435 450)
Fair value adjustments:	(12 889)	1 119 253
-on listed equity investments	87 603	559 912
-on unlisted investments	(100 492)	559 341
Interest accrued on debentures and bonds	123 573	85 028
-current period	226 101	102 528
-prior year interest received	(102 528)	(17 500)
Exchange losses:	(1 598)	2 258
-on bank balances	(1 535)	1 974
-on unlisted equity investments	(63)	284
	(14 665)	-
-on debentures	(14 665)	-
Balance at end of period	41 691 851	19 260 751
7. INVESTMENT IN SUBSIDIARY COMPANY		
Investment in Barcelona Investments Limited		
Opening balance	22 657 722	22 237 943
Fair value gain	113 681	419 779
Closing balance	22 771 403	22 657 722

8. INTANGIBLE ASSETS

	Computer software US$	Capital work in progress US$	Total US$
2018			
Cost or valuation			
Balance at 1 January 2018	19 820 540	214 377	20 034 917
Additions	34 046	17 092	51 138
Balance at 30 June 2018	19 854 586	231 469	20 086 055
Accumulated amortisation			
Balance at 1 January 2018	13 937 482	-	13 937 482
Recognised in statement of profit or loss	917 104	-	917 104
Balance at 30 June 2018	14 854 586	-	14 854 586
Carrying value at 30 June 2018	5 000 000	231 469	5 231 469
2017			
Cost or valuation			
Balance at 1 January 2017	19 133 122	12 664	19 145 986
Additions	509 489	379 642	889 131
Transfers between categories	177 929	(177 929)	-
Balance at 31 December 2017	19 820 540	214 377	20 034 917
Accumulated amortisation			
Balance at 1 January 2017	11 511 013	-	11 511 013
Recognised in statement of profit or loss	2 426 469	-	2 429 469
Balance at 31 December 2017	13 937 482	-	13 937 482
Carrying value at 31 December 2017	5 883 058	214 377	6 097 435

9. PROPERTY AND EQUIPMENT

	Leasehold improvements US$	furniture & fittings US$	Equipment, Computer equipment US$	Motor vehicles US$	Capital work in progress US$	Total US$
2018						
Cost or valuation						
Balance at 1 January 2018	6 532 543	4 405 468	8 729 383	3 546 250	215 748	23 429 392
Additions	54 286	33 081	614 302	883 314	-	1 584 983
Disposals	-	(5 989)	(2 756)	-	-	(8 745)
Transfer between categories	149 186	66 562	-	-	(215 748)	-
Balance at 30 June 2018	6 736 015	4 499 122	9 340 929	4 429 564	-	25 005 630
Accumulated depreciation						
Balance at 1 January 2018	3 501 673	2 449 432	5 432 360	2 910 080	-	14 293 545
Charge to statement of profit or loss	292 106	179 212	649 771	81 270	-	1 202 359
Disposals	-	(4 459)	(2 480)	-	-	(6 939)
Balance at 30 June 2018	3 793 779	2 624 185	6 079 651	2 991 350	-	15 488 965
Net book value at 30 June 2018	2 942 236	1 874 937	3 261 278	1 438 214	-	9 516 665

	Leasehold improvements US$	furniture & fittings US$	Equipment, Computer equipment US$	Motor vehicles US$	Capital work in progress US$	Total US$
2017						
Cost or valuation						
Balance at 1 January 2017	6 381 514	4 246 812	6 866 628	3 594 285	-	21 089 239
Additions	151 029	181 576	1 876 386	225 037	215 748	2 649 776
Disposals	-	(22 920)	(13 631)	(273 072)	-	(309 623)
Balance at 31 December 2017	6 532 543	4 405 468	8 729 383	3 546 250	215 748	23 429 392
Accumulated depreciation						
Balance at 1 January 2017	2 926 383	2 087 952	4 553 120	2 939 755	-	12 507 210
Charge to statement of profit or loss	575 290	377 342	890 654	216 090	-	2 059 376
Disposals	-	(15 862)	(11 414)	(245 765)	-	(273 041)
Balance at 31 December 2017	3 501 673	2 449 432	5 432 360	2 910 080	-	14 293 545
Net book value at 31 December 2017	3 030 870	1 956 036	3 297 023	636 170	215 748	9 135 847

10. DEPOSITS FROM CUSTOMERS

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Current accounts	64 305 016	53 674 201
Savings and call accounts	185 178 004	146 106 602
Term deposits	141 663 719	142 188 662
Bank deposits	8 421 145	13 204 876
	399 567 884	355 174 341
Maturity analysis of deposits		
On demand	249 482 209	199 779 930
Within 1 month	87 183 107	72 060 993
Between 1 and 6 months	60 196 518	71 234 777
Between 6 and 12 months	103 791	9 516 183
After 12 months	2 602 259	2 582 458
	399 567 884	355 174 341

	Reviewed 30 June 2018 US$	% Contribution	Audited 31 Dec 2017 US$	% Contribution
Sectoral analysis of deposits				
Private	64 654 576	16%	52 745 297	15%
Agriculture	26 866 445	7%	10 329 099	3%
Mining	2 393 862	1%	1 185 693	0%
Manufacturing	44 355 083	11%	44 185 869	12%
Distribution	8 032 987	2%	7 862 601	2%
Construction	3 452 094	1%	6 125 661	2%
Transport	2 221 918	1%	1 574 764	0%
Services	109 933 046	28%	91 580 667	26%
Financial	98 134 329	25%	93 514 160	26%
Communication	39 523 544	10%	46 070 530	13%
	399 567 884	100%	355 174 341	100%

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Reviewed Financial Results for the Half Year ended 30 June 2018

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
11. TRADE AND OTHER PAYABLES		
Interest accrued on deposits	1 249 387	1 019 059
Items in transit	1 848 099	5 978 587
Accruals and sundries	21 669 022	17 982 541
Amounts clearing to other banks	2 714 365	-
	27 480 873	24 980 187
12. EQUITY AND RESERVES		
12.1 Share capital		
Authorised;		
300 000 000 (2017: 300 000 000) ordinary shares of US$0.01 each	3 000 000	3 000 000
Issued and fully paid;		
181 040 166 ordinary shares of US$0.01 each (2017: 181 040 166)	1 810 402	1 810 402
12.2 Capital adequacy		
Ordinary share capital	1 810 402	1 810 402
Share premium	32 958 032	32 958 032
Reserves	24 632 448	26 610 922
Loans to Group entities	(153 881)	(142 964)
IFRS capital	59 247 001	61 236 392
Add Fair value adjustment on capitalization treasury bills	4 279 391	4 662 820
Tier 1 capital	63 526 392	65 899 212
General provisions	-	
Revaluation reserve	754 668	754 668
Tier 2 capital	754 668	754 668
Total capital base	64 281 060	66 653 880
Credit risk weighted assets	145 866 021	162 165 190
Operational risk equivalent assets	85 133 344	74 956 627
Market risk equivalent assets	15 993 038	16 089 408
Total risk weighted assets	246 992 403	253 211 225
Tier 1 capital ratio	25.72%	26.03%
Tier 2 capital ratio	0.31%	0.30%
Capital adequacy ratio	26.03%	26.33%

13. NET INTEREST AND RELATED INCOME

	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
13.1 Interest and related income		
Interest and related income comprises interest on:		
-Advances	2 368 106	3 347 392
-Overdrafts	350 599	1 000 477
Establishment fees	718 572	846 383
Placements with other banks	727 090	162 945
Treasury bills	7 717 863	6 161 685
Other interest receivable categories	465 506	109 058
Total interest and related income	12 347 736	11 627 940
13.2 Interest and related expenses		
Interest and related expenses comprise interest on:		
Customer deposits	2 757 031	3 568 197
Placements from other banks	284 313	71 016
Other interest expense categories	23 573	100 424
Total interest and related expenses	3 064 917	3 739 637
Net interest and related income	9 242 819	7 883 303
14. OTHER INCOME		
Exchange income	420 232	308 384
Dividends from other investments	441 865	1 904 339
Rentals and recoveries	717 185	564 578
Profit on sale of equipment	142	12 524
Sundry	79 063	78 134
	1 658 487	2 867 959
15. FAIR VALUE ADJUSTMENTS		
Arising from fair value through profit or loss instruments		
Investment securities	(12 889)	900 899
Investment in subsidiary company	113 681	210 931
	100 792	1 111 830
16. OPERATING EXPENSES		
Staff expenses	8 353 441	7 286 035
Communication expenses	549 676	261 284
Computer and information technology expenses	2 068 069	1 933 918
Occupation expenses	1 881 324	1 945 995
Transport expenses	179 917	157 230
Travelling expenses	143 672	160 684
Administration expenses	8 665 741	7 510 127
	21 841 840	19 255 273
Included in administration expenses are the following:		
Depreciation charges on property and equipment	1 202 360	1 042 801
Amortisation of intangible assets	917 104	1 434 262
Auditors' remuneration	87 088	81 303
-for prior year	87 088	81 303
17. INCOME TAX EXPENSE		
Current income tax	575 323	812 941
Deferred taxation	(140 787)	(288 866)
	434 536	524 075

18. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit, balances held in trust and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

The nominal values of such commitments are listed below:

	IFRS 9 Reviewed 30 June 2018 US$	IAS 39 Audited 31 Dec 2017 US$
In respect of treasury bills held in trust on behalf of customers	39 648	1 573 494
In respect of guarantees	15 629 350	13 565 238
In respect of undrawn loan commitments	33 743 141	-
	49 412 139	15 138 732

18.1 Impairment on financial guarantees and other commitments

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment in relation to financial guarantees and other commitments is, as follows:

18.1.1 Treasury bills

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period-end stage classification. Details of the Bank's internal grading system and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 1.5.1.2 under ZBFH Group notes.

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	June 2018 TOTAL US$	2017 TOTAL PER IAS 39 US$
Good (AAA to- BBB-)	39 648	-	-	39 648	1 573 494

The Bank carried out an assessment of the treasury bills and determined that TBs were not credit impaired as explained in Note 3.1.

18.1.2 Financial guarantees

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification. Details of the Bank's internal grading system and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 1.5.1.2 under ZBFH Group notes.

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	PER IAS 39 US$
Good (AAA to- BBB-)	15 629 380	-	-	15 629 350	13 565 238

An analysis of changes in the gross carrying amount and the corresponding ECLs in relation to financial guarantees are, as follows:

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	PERIAS 39 US$
Good (AAA to- BBB-)	833 796	-	-	833 796	-

18.1.3 Other undrawn commitments

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification. Details of the Bank's internal grading system and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 1.5.1.2 under ZBFH Group notes.

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	PERIAS 39 US$
Good (AAA to- BBB-)	33 743 141	-	-	33 743 141	-

An analysis of changes in the gross carrying amount and the corresponding ECLs in relation to other undrawn commitments is, as follows:

	STAGE 1 US$	STAGE 2 US$	STAGE 3 US$	TOTAL US$	PERIAS 39 US$
Good (AAA to- BBB-)	1 447 048	-	-	1 447 048	-

19. RISK MANAGEMENT

Liquidity gap analysis	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/(outflow) US$	Carrying amount US$
As at 30 June 2018						
FINANCIAL ASSETS BY TYPE						
Cash and cash equivalents	81 453 135	5 675 815	-	-	87 128 950	87 128 950
Money market investments	23 500 000	1 500 000	-	-	25 000 000	25 000 000
Treasury bills	4 030 107	37 158 977	39 454 260	119 326 925	199 970 269	187 153 759
Advances and other accounts	23 476 039	11 809 343	9 772 165	48 726 482	93 784 029	90 176 144
Investment securities	-	-	-	41 691 851	41 691 851	41 691 851
	132 459 281	56 144 135	49 226 425	209 745 258	447 575 099	431 150 704
FINANCIAL LIABILITIES BY TYPE						
Deposits from other accounts	337 568 183	60 528 768	103 812	2 616 508	400 817 271	399 567 884
Trade and other payables	8 280 160	4 488 585	643 431	14 068 697	27 480 873	27 480 873
	345 848 343	65 017 353	747 243	16 685 205	428 298 144	427 048 757
Period gap	(213 389 062)	(8 873 218)	48 479 182	193 060 053	19 276 955	4 101 947
Cumulative gap	(213 389 062)	(222 262 278)	(173 783 098)	19 276 955	-	-

19. RISK MANAGEMENT (continued)

Liquidity gap analysis	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/(outflow) US$	Carrying amount US$
As at 31 December 2017						
FINANCIAL ASSETS BY TYPE						
Cash and cash equivalents	68 872 898	4 591 341	-	-	73 454 239	73 464 239
Money market investments	23 500 000	1 500 000	8 000 000	-	33 000 000	33 000 000
Treasury bills	-	21 856 412	36 459 598	118 596 689	176 912 699	155 945 191
Advances and other accounts	28 167 668	14 151 510	15 309 621	43 930 767	101 559 566	97 748 186
Investment securities	-	-	-	19 620 751	19 620 751	19 620 751
	120 540 566	42 099 263	59 769 219	182 148 207	404 557 255	379 778 367
FINANCIAL LIABILITIES BY TYPE						
Deposits from other accounts	272 419 124	71 651 650	9 525 056	2 597 571	356 193 401	355 174 341
Trade and other payables	7 463 921	5 028 659	234 035	12 253 572	24 980 187	24 980 187
	279 883 045	76 680 309	9 759 091	14 851 143	381 173 588	380 154 528
Period gap	(159 342 479)	(34 581 046)	50 010 128	167 297 064	23 383 667	(376 161)
Cumulative gap	(159 342 479)	(193 923 525)	(143 913 397)	23 383 667	-	-

19.1 Liquidity risk

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Liquidity ratios		
Total liquid assets	322 157 710	270 409 430
Total liabilities to the public	399 567 884	355 174 341
Liquidity ratio	81%	76%
Average for the year	81%	70%
Maximum for the year	83%	77%
Minimum for the year	79%	64%
Minimum statutory liquidity ratio	30%	30%

19.2 Interest gap

Interest rate gap analysis	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
As at 30 June 2018					
ASSETS					
Cash and short term funds	6 064 209	-	-	-	6 064 209
Money market investments	23 500 000	1 500 000	-	-	25 000 000
Treasury bills	4 021 916	37 061 152	38 842 504	107 228 187	187 153 759
Advances and other accounts	23 464 979	11 587 574	9 185 662	45 937 929	90 176 144
Investment securities	-	-	-	41 691 851	41 691 851
	57 051 104	50 148 726	48 028 166	194 857 967	350 085 963
LIABILITIES					
Deposits and other accounts	336 665 316	60 196 518	103 791	2 602 259	399 567 884
	336 665 316	60 196 518	103 791	2 602 259	399 567 884
Period gap	(279 614 212)	(10 047 792)	47 924 375	192 255 708	(49 481 921)
Cumulative gap	(279 614 213)	(289 662 004)	(241 737 629)	(49 481 921)	-

Sensitivity analysis

A 2% change in the interest rates for rate sensitive assets would result in the reported profits being increased or decreased by US$6.2m.
A 2% change in the interest rates for rate sensitive liabilities would result in the reported profits being increased or decreased by US$7.1m.

Interest rate gap analysis	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
As at 31 December 2017					
ASSETS					
Cash and short term funds	1 510 896	-	-	-	1 510 896
Money market investments	23 500 000	1 500 000	8 000 000	-	33 000 000
Treasury bills	-	21 404 006	36 082 892	98 458 293	155 945 191
Advances and other accounts	28 149 103	13 825 179	14 665 172	41 108 732	97 748 186
Investment securities	-	-	-	19 620 751	19 620 751
	53 199 999	36 729 185	58 748 064	159 187 776	307 825 024
LIABILITIES					
Deposits and other accounts	271 840 923	71 234 777	9 516 183	2 582 458	355 174 341
	271 840 923	71 234 777	9 516 183	2 582 458	355 174 341
Period gap	(218 680 924)	(34 505 592)	49 231 881	156 605 318	(47 349 317)
Cumulative gap	(218 680 924)	(253 186 516)	(203 954 635)	(47 349 317)	-

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Reviewed Financial Results for the Half Year ended 30 June 2018

ZB BUILDING SOCIETY
(A member of the Deposit Protection Corporation)

REVIEWED FINANCIAL RESULTS 30 June 2018

STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
ASSETS			
Cash and short term funds	1	2 309 044	2 819 671
Money market investments	2	13 012 312	16 300 000
Advances and other accounts	3	7 708 588	8 341 119
Inventories, trade and other receivables	4	921 983	1 127 061
Investment securities	5	5 135 920	95 897
Investment properties	6	6 531 500	6 531 500
Investment in subsidiaries	7	5 379 734	5 346 772
Property and equipment	8	945 381	967 526
Total assets		41 944 462	41 529 546
LIABILITIES			
Deposits from customers	9	22 292 094	20 474 079
Trade and other payables	10	1 287 228	2 234 430
Deferred tax liabilities	11	361 470	361 575
Total liabilities		23 940 792	23 070 084
EQUITY			
Share capital	12	954 814	954 814
Share premium		8 896 953	8 896 953
Reserves		8 151 903	8 607 695
Total equity		18 003 670	18 459 462
Total equity and liabilities		41 944 462	41 529 546

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 30 June 2018

	Notes	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Interest and related income	13	671 746	1 081 795
Interest and related expense	14	(174 590)	(176 271)
Net interest income		497 156	905 524
Net recoveries	3	199 578	25 353
Net income from lending activities		696 734	930 877
Trading and other income	15	1 623 541	1 611 952
Fair value adjustment	16	71 067	97 776
Total income		2 391 342	2 640 605
Operating expenses	17	(2 625 679)	(2 469 907)
(Loss) / profit before taxation		(234 337)	170 698
Income tax expense	18	105	(293)
(Loss) / profit for the period		(234 232)	170 405
Earnings per share			
Basic and fully diluted (loss)/earnings per share (cents)		(0.25)	0.18

STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2018

	Share capital US$	Share premium US$	Revaluation reserve US$	General reserve US$	Retained income US$	Total US$
Balance at 31 December 2017	954 814	8 896 953	26 250	26 559	8 554 886	18 459 462
Changes on initial application of IFRS 9	-	-	-	-	(34 310)	(34 310)
Restated balance at 1 January 2018	954 814	8 896 953	26 250	26 559	8 520 576	18 425 152
Profit or loss						
Loss for the period	-	-	-	-	(234 232)	(234 232)
Transactions with owners of the Society						
Dividends paid	-	-	-	-	(187 250)	(187 250)
Other movements						
Regulatory reserve in respect of doubtful debts	-	-	-	(26 559)	26 559	-
Balance as at 30 June 2018	954 814	8 896 953	26 250	-	8 125 653	18 003 670

For the half year ended 30 June 2017

	Share capital US$	Share premium US$	Revaluation reserve US$	General reserve US$	Retained income US$	Total US$
Balance at 31 December 2016	954 814	8 896 953	22 274	-	7 749 120	17 623 161
Profit or loss						
Profit for the period	-	-	-	-	170 405	170 405
Transactions with owners of the Society						
Dividends paid	-	-	-	-	(357 893)	(357 893)
Other movements						
Movement in regulatory reserve in respect of doubtful debts	-	-	-	91 124	(91 124)	-
Balance at 30 June 2017	954 814	8 896 953	22 274	91 124	7 470 508	17 435 673

STATEMENT OF CASH FLOWS
For the half year ended 30 June 2018

	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
Cash used in operating activities	(863 370)	(952 822)
Interest received	671 746	1 081 795
Dividends received	56 231	19 672
Interest paid	(174 590)	(176 271)
Net cash generated/(used) in operating activities	(309 983)	(27 626)
Cash flows from investing activities		
Purchase of property and equipment	(13 394)	(396)
Purchase of investment property	-	(14 742)
Net cash used in investing activities	(13 394)	(15 138)
Cash flows from financing activities		
Dividend paid	(187 250)	(357 893)
Net cash used in financing activities	(187 250)	(357 893)
Net increase/(decrease) in cash and cash equivalents	(510 627)	(400 657)
Cash and cash equivalents at the beginning of the year	2 819 671	1 287 409
Cash and cash equivalents at 30 June 2018	2 309 044	886 752
Cash and cash equivalents comprise:		
Cash on hand	120 095	31 020
Local bank accounts	2 188 949	855 732
	2 309 044	886 752

NOTES TO THE AUDITED FINANCIAL STATEMENTS
For the half year ended 30 June 2018

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
1. CASH AND CASH EQUIVALENTS		
Cash on hand	120 095	105 407
Local bank accounts	2 188 949	2 714 264
	2 309 044	2 819 671
2. MONEY MARKET INVESTMENTS		
Held at amortised cost:		
Fixed deposits	13 012 312	16 300 000
3. ADVANCES AND OTHER ACCOUNTS		
3.1 Loans and advances at amortised cost		
Mortgages loans		
Residential properties	4 945 041	4 926 805
Commercial properties	84 610	556 040
	5 029 651	5 482 845
Other loans and advances		
Consumer loans	3 361 312	3 705 918
Gross loans and advances	8 390 963	9 188 763
Less: Allowance for loan impairment	(682 375)	(622 266)
Interest reserve	-	(225 378)
Net loans and advances	7 708 588	8 341 119
3.2 Determination of carrying amount		
Loans and advances are carried at amortised cost using the effective interest rate.		
3.3 Maturity analysis		
Within 1 month	2 051 953	571 509
Between 2 – 6 months	346 576	474 468
Between 7 – 12 months	1 241 750	1 675 702
After 12 months	4 750 684	6 467 084
	8 390 963	9 188 763
3.4 Loans and advances to customers by business line		
Mortgage lending	5 029 651	5 482 845
Consumer lending	3 140 494	3 452 909
Small business lending	220 818	253 009
	8 390 963	9 188 763
3.5 Mortgages loans		
Mortgage advances were spread as follows:		
Type of property		
High density	809 524	723 404
Medium density	1 545 997	1 580 211
Low density	2 589 520	3 056 101
Commercial	84 610	123 129
	5 029 651	5 482 845

	Reviewed 30 June 2018 US$	%	Audited 31 Dec 2017 US$	%
3.6 Sectoral analysis of advances				
Private	8 170 145	98%	8 935 754	97%
Manufacturing	22 343	0%	26 849	0%
Services	198 475	2%	226 160	3%
	8 390 963	100%	9 188 763	100%

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	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
3.7 Non-performing debt		
Non-performing loans and advances	745 247	811 626
Less: Allowance for loan impairment	(383 804)	(416 149)
Less: Interest in reserve	-	(225 378)
Value to be received from security held	361 443	170 099
3.8 Loan impairment movement		
Balance at beginning of period	622 266	1 209 696
Opening IFRS 9 adjustment as at 1 January 2018	259 687	-
Write-offs charged to provision	-	(487 370)
Credit to statement of profit or loss	(199 578)	(100 060)
Balance at end of period	682 375	622 266

3.9 Internal rating scale of loans and advances

The table below shows the credit quality and the maximum exposure for credit risk based on the Society's internal credit rating system and period end stage classification.

Details of the Society's internal grading system and policies on whether ECLs are calculated on an individual or collective basis are set out in note 1.5.12 under ZB Financial Holdings.

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	2017 Total per IAS 39 US$
Total loans and advances					
Good (AAA to BBB-)	6 840 585	263 686	117 429	7 221 700	7 619 082
Special mention (BB+ to CCC-)	336 759	45 178	173 335	555 272	221 609
Non-performing (CC+ to D)	-	-	613 991	613 991	1 348 072
Total	7 177 344	308 864	904 755	8 390 963	9 188 763
Mortgage lending					
Good (AAA to BBB-)	3 986 720	252 748	21 096	4 260 564	4 557 121
Special mention (BB+ to CCC-)	243 326	43 441	147 824	434 591	606 990
Non-performing (CC+ to D)	-	-	334 496	334 496	318 734
Total	4 230 046	296 189	503 416	5 029 651	5 482 845
Consumer lending					
Good (AAA to BBB-)	2 706 970	10 908	96 332	2 814 210	3 075 766
Special mention (BB+ to CCC-)	93 433	1 737	25 512	120 682	55 473
Non-performing (CC+ to D)	-	-	205 602	205 602	321 670
Total	2 800 403	12 645	327 446	3 140 494	3 452 909
Small business lending					
Good (AAA to BBB-)	146 894	31	46	146 971	160 709
Special mention (BB+ to CCC-)	-	-	-	-	-
Non-performing (CC+ to D)	-	-	73 847	73 847	92 300
Total	146 894	31	73 893	220 818	253 009

3.10 Impairment allowances for loans and advances

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	2017 Total per IAS 39 US$
Total loans and advances					
Good (AAA to BBB-)	256 057	10 724	9 906	276 687	206 117
Special mention (BB+ to CCC-)	16 917	5 794	14 162	36 873	809 911
Non-performing (CC+ to D)	-	-	368 815	368 815	335 238
Total	272 974	16 518	392 883	682 375	622 266
Mortgage lending					
Good (AAA to BBB-)	32 905	9 756	1 248	43 909	80 421
Special mention (BB+ to CCC-)	3 907	5 487	8 289	17 683	73 432
Non-performing (CC+ to D)	-	-	121 254	121 254	98 028
Total	36 812	15 243	130 791	182 846	251 881
Consumer lending					
Good (AAA to BBB-)	219 331	965	18 380	238 676	122 483
Special mention (BB+ to CCC-)	13 010	307	5 874	19 191	7 479
Non-performing (CC+ to D)	-	-	175 422	175 422	179 593
Total	232 341	1 272	199 676	433 289	309 555
Small business lending					
Good (AAA to BBB-)	3 821	3	4	3 828	3 214
Special mention (BB+ to CCC-)	-	-	-	-	-
Non-performing (CC+ to D)	-	-	62 410	62 410	57 616
Total	3 821	3	62 414	66 238	60 830

4. INVENTORIES, TRADE AND OTHER RECEIVABLES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Interest recievable	1 289	1 654
Sundry debtors and other accounts	222 185	426 041
Inventory	270 000	270 000
Intercompany balances	428 509	429 366
	921 983	1 127 061

5. INVESTMENT SECURITIES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
5.1 Carrying amounts		
Designated at "fair value through profit or loss"		
Unlisted equity	134 002	95 897
Held at amortised cost		
Bonds	5 001 918	-
	5 135 920	95 897
5.2 Movements in investment securities		
Balance at the beginning of period	95 897	37 988
Movements during the period		
Purchase of bonds	5 000 000	-
Fair value adjustments		
On unlisted equity	38 105	57 909
Interest accrued on bonds	1 918	-
Balance at end of period	5 135 920	95 897

6. INVESTMENT PROPERTIES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Fair value through profit or loss		
Fair value at beginning of period	6 531 500	6 510 000
Additions	-	14 742
Fair value gain	-	6 758
Fair value at end of period	6 531 500	6 531 500

7. INVESTMENT IN SUBSIDIARIES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Fair value through profit or loss		
Fair value at beginning of period	5 346 772	4 937 738
Fair value gain	32 962	409 034
Fair value at end of period	5 379 734	5 346 772

8. PROPERTY AND EQUIPMENT

	Freehold properties US$	Leasehold Improvements US$	Motor vehicles US$	Office furniture & equipment US$	Computer equipment US$	Total US$
2018						
Cost or valuation						
Balance at 1 January 2018	723 681	196 796	185 198	461 583	309 712	1 876 970
Additions	-	13 394	-	-	-	13 394
Balance at 30 June 2018	723 681	210 190	185 198	461 583	309 712	1 890 364
Accumulated depreciation and impairment charges						
Balance at 1 January 2018	23 681	128 764	179 853	314 629	262 517	909 444
Charge for the period	2 092	8 897	-	22 836	1 714	35 539
Balance at 30 June 2018	25 773	137 661	179 853	337 465	264 231	944 983
Carrying amount 30 June 2018	697 908	72 529	5 345	124 118	45 481	945 381
2017						
Cost or valuation						
Balance at 1 January 2017	719 497	196 796	215 498	469 407	303 719	1 904 917
Additions	-	-	-	6 978	7 045	14 023
Revaluation gain	4 184	-	-	-	-	4 184
Disposals	-	-	(30 300)	(14 802)	(1 052)	(46 154)
Balance at 31 December 2017	723 681	196 796	185 198	461 583	309 712	1 876 970
Accumulated depreciation and impairment charges						
Balance at 1 January 2017	19 497	110 972	204 599	278 258	260 345	873 671
Charge for the year	4 184	17 792	2 524	46 817	3 119	74 436
Disposal	-	-	(27 270)	(10 446)	(947)	(38 663)
Balance at 31 December 2017	23 681	128 764	179 853	314 629	262 517	909 444
Carrying amount 31 December 2017	700 000	68 032	5 345	146 954	47 195	967 526

9. DEPOSITS FROM CUSTOMERS

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
9.1 Deposit by type		
Savings accounts	16 734 043	15 053 710
Fixed deposits	5 558 051	5 420 369
	22 292 094	20 474 079
9.2 Maturity analysis		
On demand	8 527 196	11 328 738
Within 1 month	2 574 845	2 738 165
1 month to 6 months	16 487	11 785
6 months to 12 months	72 901	32 033
More than 1 year	11 100 665	6 363 358
	22 292 094	20 474 079

	Reviewed 30 June 2018 US$	% Contribution	Audited 31 Dec 2017 US$	% Contribution
9.3 Sectoral analysis				
Private individuals	14 758 966	67%	14 171 909	69%
Financial institutions	655 018	4%	370 191	2%
Communication	93 351	0%	92 414	0%
Manufacturing	312 934	1%	133 611	1%
Distribution	2 931 252	13%	2 858 518	14%
Construction	1 372 057	6%	912 426	4%
Agriculture	1 188 721	5%	1 165 037	6%
Services	979 795	4%	769 973	4%
	22 292 094	100%	20 474 079	100%

10. TRADE AND OTHER PAYABLES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Interest payable	492	2 539
Creditors and other accounts	578 452	1 448 682
Deferred income	222 674	235 060
Intercompany balances	482 182	544 354
Leave pay provision	3 428	3 795
	1 287 228	2 234 430

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11. DEFERRED TAX LIABILITIES

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Deferred tax movement		
Balance at the beginning of period	361 575	360 500
(Credit)/charge to the statement of profit or loss	(105)	866
From revaluation of property	-	209
	361 470	361 575
Deferred tax comprises:		
Property and equipment	34 895	35 000
Investment property	326 575	326 575
	361 470	361 575

12. EQUITY AND RESERVES

12.1 Share capital

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Authorised;		
100 000 000 ordinary shares of US$0.01 each	1 000 000	1 000 000
Issued and fully paid;		
95 481 425 ordinary shares of US$0.01 each	954 814	954 814

12.2 Capital adequacy ratio

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Share capital	954 814	954 814
Share premium	8 896 953	8 896 953
Retained earnings	8 125 653	8 554 886
Tier 1 Capital	17 977 420	18 406 653
Revaluation reserves	26 250	26 250
General provisions	-	26 559
Tier 2 Capital	26 250	52 809
Total capital base	18 003 770	18 459 462
Credit risk weighted assets	23 432 151	23 432 151
Operational risk equivalent assets	10 085 883	10 085 883
Total risk weighted assets	33 518 034	33 518 034
Tier 1	52.82%	54.92%
Tier 2	0.08%	0.16%
Capital adequacy ratio	53.90%	55.07%

	Reviewed 30 June 2018 US$	Reviewed 30 June 2017 US$
13 INTEREST AND RELATED INCOME		
Loans and advances	556 467	861 037
Short term funds and placements	115 279	220 758
	671 746	1 081 795
14 INTEREST AND RELATED EXPENSE		
Fixed deposits	138 103	153 919
Savings accounts	36 487	22 352
	174 590	176 271
Net interest income	497 156	905 524
15 TRADING AND OTHER INCOME		
Commissions and fees	1 364 270	1 416 756
Operating lease rental income	142 267	146 226
Dividend income	56 231	19 672
Other income	60 773	29 298
	1 623 541	1 611 952
16 FAIR VALUE ADJUSTMENT		
Arising from fair value through profit or loss instruments:		
Investment securities	38 105	53 591
Investment in subsidiaries	32 962	44 185
	71 067	97 776
17 OPERATING EXPENSES		
Operating expenses comprise the following expenses:		
Staff costs	481 220	429 613
Communication expenses	7 278	7 889
Computer and information technology	315 557	281 580
Occupation expenses	99 312	92 724
Transport costs	7 134	6 810
Security	46 910	54 848
Administration expenses	1 668 268	1 596 443
	2 625 679	2 469 907
Included in administration expenses are the following:		
Audit fees – prior year	49 728	46 171
Directors fees	17 692	24 592
Depreciation of property and equipment	35 539	45 228
18 INCOME TAX EXPENSE		
Tax expense comprises:		
Deferred tax credit/(expense)	105	(293)
Tax in statement of profit or loss	105	(293)

19. RISK MANAGEMENT

19.1 Liquidity Gap Analysis

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/ (outflow) US$	Carrying amount US$
As at 30 June 2018						
Assets						
Cash and cash equivalents	2 309 044	-	-	-	2 309 044	2 309 044
Money market placements	13 034 957	-	-	-	13 034 957	13 012 312
Investment securities	-	-	5 350 000	134 002	5 484 002	5 135 920
Loans and advances	463 364	391 754	1 363 167	6 293 250	8 511 535	7 708 588
	15 807 365	391 754	6 713 167	6 427 252	29 339 538	28 165 864
Financial liabilities by type						
Deposits from customers	10 793 645	91 086	47 940	10 401 725	21 334 396	22 292 094
Trade and other payables	-	1 287 228	-	-	1 287 228	1 287 228
	10 793 645	1 378 314	47 940	10 401 725	22 621 624	23 579 322
Liquidity Gap	5 013 720	(986 560)	6 665 227	(3 974 473)	6 717 914	4 586 542
Cumulative Gap	5 013 720	4 027 160	10 692 387	6 717 914	-	-
As at 31 December 2017						
Assets						
Cash and cash equivalents	2 819 671	-	-	-	2 819 671	2 819 671
Money market placements	16 322 645	-	-	-	16 322 645	16 300 000
Loans and advances	581 442	495 462	1 903 852	12 563 481	15 544 237	8 341 119
Investment securities	-	-	-	95 897	95 897	95 897
	19 723 758	495 462	1 903 852	12 659 378	34 782 450	27 556 687
Financial liability by type						
Deposits from customers	13 990 101	11 805	13 945	6 999 694	21 015 545	20 474 079
Trade and other payables	-	2 234 429	-	-	2 234 429	2 234 429
	13 990 101	2 246 234	13 945	6 999 694	23 249 974	22 708 508
Period gap	5 733 657	(1 750 772)	1 889 907	5 659 684	11 532 476	4 848 179
Cumulative gap	5 733 657	3 982 885	5 872 792	11 532 476	-	-

20.2 Liquidity ratio

	Reviewed 30 June 2018 US$	Audited 31 Dec 2017 US$
Total Liquid Assets	20 323 274	19 119 671
Deposits from customers	22 292 094	20 474 079
Liquidity ratio	91%	93%
Average for the period	94%	77%
Maximum for the period	112%	97%
Minimum for the period	81%	49%
Minimum statutory liquidity ratio	30%	30%

The society was compliant with minimum liquidity thresholds as at 30 June 2018.

20.3 Interest Rate Gap Analysis

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
As at 30 June 2018					
Assets					
Cash and cash equivalents	2 188 949	-	-	-	2 188 949
Money market placements	13 012 312	-	-	-	13 012 312
Investment securities	-	-	5 001 918	-	5 001 918
Loans and advances	611 523	346 576	1 241 750	5 508 739	7 708 588
	15 812 784	346 576	6 243 668	5 508 739	27 911 767
Financial liabilities by type					
Deposits from customers	15 903 075	11 785	13 876	6 363 358	22 292 094
	15 903 075	11 785	13 876	6 363 358	22 292 094
Sensitivity gap	(90 291)	334 791	6 229 792	(854 619)	5 619 673
Cumulative gap	(90 291)	244 500	6 474 292	5 619 673	-
As at 31 December 2017					
Assets					
Local bank accounts	2 714 264	-	-	-	2 714 264
Money market placements	16 300 000	-	-	-	16 300 000
Loans and advances	536 892	393 470	1 589 637	5 821 120	8 341 119
	19 551 156	393 470	1 589 637	5 821 120	27 355 383
Financial liability by type					
Deposits from customers	14 085 060	11 785	13 876	6 363 358	20 474 079
Sensitivity gap	5 466 096	381 685	1 575 761	(542 238)	6 881 304
Cumulative gap	5 466 096	5 847 781	7 423 542	6 881 304	-