ZB FINANCIAL HOLDINGS

Since 1951

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

The future is in innovation

Financial Highlights

Total assets	Total capital and reserves	Return on equity	Liquidity ratio (Group)	Net profit after taxation	Cost efficiency ratio
Down 2%	Up 7%	Up 32%	Down 3%	Up 38%	Down 7%
30 June 2017:				30 June 2017:	
US$430.8m	US$73.8m	17.79%	71.95%	US$8.2m	69.39%
31 Dec 2016:				30 June 2016:	
US$439.3m	US$69.1m	13.44%	74.53%	US$5.9m	74.27%

CHAIRMAN'S STATEMENT

Introduction:

I have pleasure in providing my maiden report on the affairs of the Company.

Operating Environment:

In its Global Economic Prospects Report published in June 2017, the World Bank projected that the global economy's growth would rise from an estimated post-crisis low of 2.4% in 2016, to 2.7% in 2017, before strengthening further to 2.9% in 2018-19. Investment growth in advanced economies is firming whilst the post-crisis deceleration in capital spending observed in Emerging Markets and Developing Economies (EMDEs) appears to be easing with capital inflows for the first half of 2017 having been robust.

At the local front, the Zimbabwean economy is expected to grow by 2.8% in 2017, up from 0.7% recorded in 2016. This recovery is largely underpinned by a strong performance out of a revitalized agriculture sector which posted impressive grain yields for the 2016/2017 season.

With limited fiscal space, Government has implemented various re-balancing measures which have had expansionary impact on money supply resulting in the economy easing out of deflation in which it had remained since 2009 to 2016. Year on year inflation was recorded at 0.75% as at 31 May, 2017.

The economy continues to experience liquidity distribution challenges which have manifested in cash shortages and backlogs on foreign currency remittances despite significant interbank balances held across the financial sector. This scenario has created scope for illegal arbitrage thus impacting on costs and pricing negatively.

The increased apprehension with the money market has, in the large part, been responsible for a rally in the capital markets as investors seek to preserve value. The stock market rallied during the first half of the year, gaining about US$1.824 billion in market capitalisation, from US$3.871 billion as at end of First Quarter 2017 to US$5.695 billion as at Half Year 2017, a 47.12% rise quarter-on-quarter. Year-on-year, the market capitalisation more than doubled, rising by 104.79% from US$2.781 billion as at 30 June 2016, gaining by US$2.914 billion to US$5.695 billion as at 30 June 2017.

Financial Performance:

The Group posted a profit of US$8.2m for the half year ended 30 June, 2017 as fully discussed by the Group Chief Executive in his report.

Dividends:

Given the high level of volatility in the financial sector and the need to grow organic capital the Board does not consider it prudent to declare an interim dividend. Dividends will however be considered after the full year results.

Governance & Stakeholder engagements:

The Group has made satisfactory progress in dealing with a corrective order issued by the Reserve Bank of Zimbabwe on 7 March, 2017. The order dealt mostly with corporate governance matters. In this regard, work has been undertaken to reconstitute the Board.

Progress has also been made in implementing the resolutions of members passed at the General Meeting held on 12 May, 2017. Particularly, a claim for a dividend refund has been made on Transnational Holdings Limited (THL) whilst options are under consideration for a lasting resolution to the long-standing dispute between THL and the Company.

The Board commits itself to maintaining harmonious relations with all its stakeholders for the beneficial interest of the Company.

Directorate:

On behalf of the Board, I would like to thank Messrs M Mahachi, N M Vingirai, O Matizanadzo, R Mbaiwa, Prof. Z Muranda, and Dr J D G Nhavira for the service they rendered to the Board up to 12 May, 2017. I wish them success in their individual endeavours. I welcome to the Board Mrs P Chiromo and Mr J Mutevedzi.

Conclusion:

I would like to thank our staff, management, clients and other stakeholders for their support during the period under review.

Prof. C Manyeruke
Chairman

04 August, 2017

GROUP CHIEF EXECUTIVE'S REPORT

Operating Results:

The Group's net profit for the period improved by 38% to US$8.2m for the six months to June 2017 compared to US$5.9m in the comparative period in 2016. The performance is on the back of improved revenue performance, enhanced by dividend accruals on investments, increased transaction volumes and improved net insurance premium outturn.

Net revenue increased by 17% from US$29.4m in 2016 to US$34.5m during the period under review. Net interest income increased by 13% to US$9.2m whilst interest rates generally softened as financial intermediaries maintained long positions whilst rate ceilings on credit facilities were further reduced by the Reserve Bank of Zimbabwe in the second quarter. The increase was a result of contributions from a substantial Treasury Bills portfolio transacted in prior years at bargain discount levels as well as the improved quality of the underlying credit book.

A net charge of US$1.3m was posted in respect of the lending book against a net recovery of US$2.0m in 2016 as loan recovery remains a focal area.

Net insurance premiums amounted to US$4.9m against US$4.3m in the comparative period in 2016. Gross premiums increased by 4% whilst a better claims experience resulted in related expenses reducing by 1%.

A fair value credit of US$1.6m (2016 – loss of US$10.9k) was posted as underlying investments performed positively during the period.

Operating expenses increased by 10% from US$21.8m to US$23.9m, driven by business acquisition costs and an increase in technology related costs as the usage of electronic platforms became more pervasive. Depreciation and amortisation charges remained flat at US$2.7m.

The cost efficiency ratio however improved to 69% compared to 74% in 2016. Total assets receded by 2% to close at US$430.8m as at 30 June, 2017. Earning assets contributed 72% to total assets, having increased from 70% as at 31 December, 2016.

Total deposits reduced by 6% from US$275.3m as at 31 December, 2016 to US$259.8m as at 30 June, 2017. Deposits however remained transient and thus not suited for the creation of long dated assets.

Net advances decreased marginally as facility utilization by borrowing clients remained low. Gross advances however increased by 6% on account of unfunded guarantee drawdowns.

The aggregate liquidity ratio was maintained at more than 70% throughout the period.

Business Update:

Intermittent system outages have been reported during the period under review as a result of increased transaction volumes. This has necessitated the commitment of further resources to strengthen the technological platforms in order to achieve system stability and improve customer experience. Resultantly, an upgrade of the core banking platform is underway whilst the supporting infrastructure has been scaled up.

The Group has also invested in a further 3 000 Point of Sale machines in order to enhance customer convenience. Other technologies to support the operation of a "cash-lite" economy are under development.

Internal Stakeholders

Cordial relations with staff were maintained throughout the period.

Acknowledgements:

I would like to thank our valued customers for their continued support. My gratitude extends to the Board for its wise counsel, management and staff for their efforts during the period.

R. Mutandagayi
Group Chief Executive

04 August, 2017

Since 1951

ZB FINANCIAL HOLDINGS

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

The future is bright

AUDITOR'S STATEMENT

These condensed interim financial results for the six months ended 30 June 2017 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 fair valuation intricacies and challenges posed by the US$20 million loan given to ZB Financial Holdings Limited by the Government of Zimbabwe, which was in turn used to recapitalise ZB Bank Limited as discussed in more detail in note 3(a)(iii). The valuation basis applied is consistent with the one applied as at 31 December 2016 and the auditor's report on the financial statements for the period then ended carries a similar Emphasis of Matter.

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 2017

	Notes	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
ASSETS			
Cash and cash equivalents		63 112 563	82 193 499
Money market investments		6 615 373	5 519 513
Treasury bills	3	117 225 502	118 633 706
Mortgages and other advances	4	97 452 044	99 193 658
Investment securities		28 194 847	20 398 857
Inventories,trade and other receivables		16 354 837	9 800 224
Investments in associates		35 515 940	35 231 971
Investment properties		27 046 092	26 728 848
Property and equipment	5	31 244 543	32 257 043
Intangible assets	6	6 885 348	8 197 577
Non current assets held for sale		1 137 900	1 137 900
Total assets		430 784 989	439 292 796
LIABILITIES			
Deposits and other accounts	7	259 829 279	275 272 254
Amounts due to other banks		2 230 501	3 135 361
Trade and other payables		28 909 141	27 338 760
Current tax liabilities		352 524	132 109
Deferred tax liabilities		1 807 458	2 194 131
Long term loan		13 875 207	13 536 787
Life assurance funds	8	29 551 756	28 249 896
Total liabilities		336 555 866	349 859 298
EQUITY			
Share capital		1 751 906	1 751 906
Share premium		27 081 696	27 081 696
Other components of equity		21 141 321	21 903 322
Retained income		23 840 456	18 409 286
Attributable to equity holders of parent		73 815 379	69 146 210
Non-controlling interests		20 413 744	20 287 288
Total equity		94 229 123	89 433 498
Total equity and liabilities		430 784 989	439 292 796

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 30 June 2017

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Interest and related income	13 340 718	13 612 051
Interest and related expense	(4 193 388)	(5 532 394)
Net interest and related income	9 147 330	8 079 657
(Allowance for) / net recoveries in respect of impaired loans	(1 291 843)	2 032 730
Net interest and related income from lending activities	7 855 487	10 112 387
Gross insurance premium income	15 512 867	14 938 770
Insurance expenses	(10 579 330)	(10 678 350)
Net insurance premium income	4 933 537	4 260 420
Fees, commissions and other income	20 056 045	15 025 526
Fair value adjustment	1 625 283	(10 985)
Total income	34 470 352	29 387 348
Operating expenses	(23 918 246)	(21 825 686)
Profit from ordinary activities	10 552 106	7 561 662
Transfer to life assurance funds	(1 301 860)	(430 237)
Share of associate companies' profit /(loss) net of tax	192 821	(81 436)
Profit before taxation	9 443 067	7 049 989
Income tax expense	(1 276 042)	(1 114 573)
Net profit for the period	8 167 025	5 935 416
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Fair value adjustment on available for sale financial assets	(1 186 879)	(1 556 536)
Other comprehensive income for the period net of tax	(1 186 879)	(1 556 536)
Total comprehensive income for the period	6 980 146	4 378 880
Profit attributable to:		
Owners of parent	7 866 422	5 622 588
Non-controlling interests	300 603	312 828
Profit for the period	8 167 025	5 935 416
Total comprehensive income attributable to:		
Owners of parent	6 679 543	4 066 052
Non-controlling interests	300 603	312 828
Total comprehensive income for the period	6 980 146	4 378 880
Earnings per share		
Basic and fully diluted earnings per share (cents)	0.05	0.04

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2017

	Share capital US$	Share premium US$	General reserve US$	Properties revaluation reserve US$	Available for sale financial assets US$	Retained income US$	Attributable to equity holders of parent US$	Non controlling interests US$	Total US$
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

For the half year ended 30 June 2016

	Share capital US$	Share premium US$	General reserve US$	Properties revaluation reserve US$	Available for sale financial assets US$	Retained income US$	Attributable to equity holders of parent US$	Non controlling interests US$	Total US$
Balance at 31 December 2015	1 751 906	27 081 696	10 756 654	13 498 927	5 137 235	3 785 055	62 011 473	19 561 899	81 573 372
Changes in equity for 2016									
Profit or loss									
Profit for the period	-	-	-	-	-	5 622 588	5 622 588	312 828	5 935 416
Other comprehensive income, net of tax									
Available for sale financial assets	-	-	-	-	(1 556 536)	-	(1 556 536)	-	(1 556 536)
Transaction with owners of the parent									
Distributions									
Dividends paid	-	-	-	-	-	(2 141 561)	(2 141 561)	(232 589)	(2 374 150)
Other movements									
Regulatory reserve in respect of doubtful debts	-	-	(1 835 552)	-	-	1 835 552	-	-	-
Balance at 30 June 2016	1 751 906	27 081 696	8 921 102	13 498 927	3 580 699	9 101 634	63 935 964	19 642 138	83 578 102

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 30 June 2017

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Cash flows used in operating activities	(19 316 160)	(12 370 389)
Interest received	13 340 718	13 612 051
Interest paid	(4 193 388)	(5 532 394)
Income tax paid	(1 030 690)	(579 666)
Net cash used in operating activities	(11 199 520)	(4 870 398)
Cash flows from investing activities		
Purchase of investment property	(14 742)	-
Proceeds on disposal of investment property	-	1 193 750
Purchase of intangible assets	(134 964)	(541 041)
Purchase of property and equipment	(274 096)	(1 169 855)
Proceeds on disposal of property and equipment	29 568	44 187
Purchase of investment securities	(6 559 082)	(159 745)
Proceeds on disposal of investment securities	389 777	9 927
Acquisitions of investment in associate	(91 147)	-
Dividends received	276 455	233 957
Net cash used in investing activities	(6 378 231)	(388 820)
Cash flows from financing activities		
Dividends paid	(2 184 521)	(2 374 150)
Net cash used in financing activities	(2 184 521)	(2 374 150)
Net decrease in cash and cash equivalents	(19 762 272)	(7 633 368)
Cash and cash equivalents at beginning of period	83 193 499	55 789 139
Effects of exchange rates fluctuating on cash and cash equivalents	(318 664)	(71 037)
Cash and cash equivalents at end of period	63 112 563	48 084 734
Cash and cash equivalents comprise:		
Cash	4 614 136	34 508 596
Local bank accounts	56 340 919	9 948 850
Foreign bank accounts	2 157 508	3 627 288
	63 112 563	48 084 734

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.

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 estimation uncertainty

Significant assumptions and estimations as at the date of financial reporting, with a material impact on the reported outturn have been made in the following areas:
- Fair value adjustment for unquoted investments;
- Valuation of property and equipment and investment properties;
- Useful lives and residual values of property and equipment;
- Estimation of incurred but not reported (IBNR) insurance claims;
- Valuation of the life fund;
- Loan loss provisions;
- Deferral of earnings on loan products using the effective interest method;
- Ascertaining degree of control or significant influence in investee companies;
- Classification and valuation of treasury bills; and
- Estimation of unutilised tax assets

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

The future is now

2. SEGMENT INFORMATION

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.

30 June 2016

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net interest and related income	9 812 192	300 195	-	10 112 387
Net fee and commission income	16 418 763	4 269 150	(857 314)	19 830 599
Other revenue	1 592 172	74 964	(2 222 774)	(555 638)
Total segment revenue	27 823 127	4 644 309	(3 080 088)	29 387 348
Other material non-cash items:				
Depreciation	1 220 611	64 726	76 610	1 361 947
Amortisation of intangible assets	1 362 996	-	14 203	1 377 199
Fair value adjustments	(82 937)	(123 851)	195 803	(10 985)
Reportable segment profit before taxation	5 431 399	987 866	630 724	7 049 989
Reportable segment assets as at 31 December 2016	414 040 108	62 438 422	(37 185 734)	439 292 796
Reportable segment liabilities as at 31 December 2016	329 882 122	36 225 104	(16 247 928)	349 859 298

[1]Includes consolidation journals.

3. TREASURY BILLS

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
3(a) Non-contingent treasury bills include:		
(i) Assets classified as 'at fair value through profit or loss':		
Short term treasury bills❶	7 145 479	-
(ii) Assets classified as 'at fair value through other comprehensive income':		
Medium term treasury bills acquired from the market❷	71 756 745	83 485 452
(iii) Assets classified as 'loans and receivables':		
Treasury bills issued as substitution for debt instruments❸	23 060 550	20 257 788
Capitalisation Treasury bills❹	15 262 728	14 890 466
	117 225 502	118 633 706

❶ The Group invested in short term treasury bills issued by the RBZ over a period of 180 days at a rate of 8.5%.

❷ The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 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%.

❹ These Capitalisation Treasury bills were issued against a long term loan at the Holding Company. 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 "loans and receivables" in terms of IAS 39:"Financial Instruments: Recognition and Measurement". Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

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 Measurement" 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 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 as at 30 June 2017:-

Rate	Basis	Reduction in capital
3.93%	Minima	4 084 674
4.63%	Average	4 906 545
5.5%	Maxima	5 862 151

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
3(b) Contingent treasury bill assets		
In respect of treasury bills held in trust on behalf of customers	1 606 199	2 615 504

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$5.2 million (2016: US$4.2 million) of these treasury bills had been passed on to customers as at 30 June 2017. These treasury bills have been accounted for as off balance sheet assets as at 30 June 2017 as the Bank is holding them on behalf of customers.

4. MORTGAGES AND OTHER ADVANCES

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
4.1 Gross loan book		
Mortgage advances	19 155 786	17 732 525
Other advances:		
Loans, overdraft and other accounts	79 217 576	81 940 716
Finance leases	2 649 975	2 647 148
Bills discounted	2 244 444	3 432 237
Insurance advances	5 410 218	3 825 382
Total other advances	89 522 213	91 846 129
Gross advances	108 677 999	109 578 654
Off balance sheet exposures		
In respect of guarantees	13 321 811	5 508 563
Gross credit exposure	121 999 810	115 087 217
Gross advances	108 677 999	109 578 654
Less: Allowance for loan impairments	(7 875 407)	(6 684 196)
Less: interest reserved	(3 350 548)	(3 700 800)
Net advances	97 452 044	99 193 658
4.2 Maturity analysis		
On demand	28 795 834	24 412 121
Within 1 month	7 106 035	15 198 224
Between 1 and 6 months	8 277 236	7 639 850
Between 6 and 12 months	12 109 932	17 283 890
After 12 months	41 163 007	34 659 573
	97 452 044	99 193 658
4.3 Non-performing loans		
Included in the above are the following;		
Non-performing loans	16 704 311	25 975 323
Less: Allowance for loan impairments	(7 875 407)	(6 684 196)
Less: Interest reserved	(3 350 548)	(3 700 800)
Value to be received from security held	5 478 356	15 590 327

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$25 313 489 as at 30 June 2017 (2016: US$27 338 998).

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
4.4 Sectoral analysis		
Private	48 200 585	47 589 436
Agriculture	9 072 823	11 414 159
Mining	3 956 948	6 789 929
Manufacturing	3 196 242	9 449 756
Distribution	6 699 585	7 565 394
Construction	1 549 656	972 468
Transport	3 658 056	1 304 858
Services	22 956 290	16 884 044
Financial	8 949 909	6 956 457
Other	437 905	652 153
	108 677 999	109 578 654
Less: Allowance for loan impairments	(7 875 407)	(6 684 196)
Less: Interest reserved	(3 350 548)	(3 700 800)
	97 452 044	99 193 658
4.5 Loan impairment		
Statement of financial position movement:		
Balance at beginning of year	6 684 196	9 153 069
Charge to profit or loss	1 549 107	1 954 349
Write offs against provision	(357 896)	(4 423 222)
Balance at end of period	7 875 407	6 684 196
Comprising:		
specific provision	6 346 332	5 914 306
portfolio provision	1 529 075	769 890
	7 875 407	6 684 196

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Net recoveries / (loan impairment charges) to statement of profit or loss		
Charge to loan impairment allowance	(1 549 108)	(692 621)
Bad debts written off	(1 335 174)	-
Recoveries of loans previously written off	1 592 439	2 725 351
	(1 291 843)	2 032 730

4.6 Mortgage advances

All mortgage advances during the period were advanced for residential and commercial property development purposes and were spread as follows:

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Type of property:-		
High density	4 079 548	4 625 243
Medium density	3 033 993	2 022 234
Low density	7 355 368	6 822 447
Commercial	4 686 877	4 262 601
	19 155 786	17 732 525

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 2017 US$	Audited 31 Dec 2016 US$
Gross investment in finance leases:		
Less than 1 year	942 131	1 084 058
Between 1 and 5 years	2 011 669	1 940 055
Gross investment in finance leases	2 953 800	3 024 113
Unearned finance charges	(303 825)	(376 319)
Net investment in finance leases	2 649 975	2 647 794
Less than 1 year	905 043	1 017 472
Between 1 and 5 years	1 744 932	1 630 322
	2 649 975	2 647 794

4.8 Determination of carrying value

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

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
5. PROPERTY AND EQUIPMENT						
GROUP						
Cost or valuation						
Balance at 1 January 2017	22 209 312	6 597 924	5 856 191	8 130 936	5 661 023	48 455 386
Additions	-	76 985	89 433	70 668	37 010	274 096
Disposals	-	-	(10 792)	(7 709)	(175 892)	(194 393)
Balance at 30 June 2017	22 209 312	6 674 909	5 934 832	8 193 895	5 522 141	48 535 089
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	8 877	294 964	265 974	457 090	237 368	1 264 273
Disposals	-	-	(6 828)	(6 939)	(158 303)	(172 070)
Balance at the 30 June 2017	503 387	3 338 890	3 199 921	6 008 398	4 239 950	17 290 546
Carrying value at 30 June 2017	21 705 925	3 336 019	2 734 911	2 185 497	1 282 191	31 244 543

	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 2016	33 758 487	6 427 868	5 758 351	7 163 946	5 197 539	58 306 191
Transfers to investment properties	(11 033 360)	-	-	-	-	(11 033 360)
Surplus on revaluation	(515 815)	-	-	-	6 622	(509 193)
Additions	-	175 769	150 687	977 395	608 642	1 912 493
Impairment	-	(5 713)	-	-	-	(5 713)
Disposals	-	-	(52 847)	(10 405)	(151 780)	(215 032)
Balance at 31 December 2016	22 209 312	6 597 924	5 856 191	8 130 936	5 661 023	48 455 386
Accumulated depreciation						
Balance at 1 January 2016	833 659	2 463 097	2 442 772	4 616 603	3 706 262	14 062 393
Recognised in profit or loss	4 184	580 829	531 933	951 008	543 755	2 611 709
Transfers to investment properties	(343 333)	-	-	-	-	(343 333)
Disposals	-	-	(33 930)	(9 364)	(89 132)	(132 426)
Balance at the 31 December 2016	494 510	3 043 926	2 940 775	5 558 247	4 160 885	16 198 343
Carrying value at 31 December 2016	21 714 802	3 553 998	2 915 416	2 572 689	1 500 138	32 257 043

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
6. INTANGIBLE ASSETS		
Computer software		
Carrying amount at beginning of period	8 197 577	9 641 612
Additions	134 964	1 502 848
Amortisation	(1 447 193)	(2 946 883)
Balance at end of period	6 885 348	8 197 577
7. DEPOSITS AND OTHER ACCOUNTS		
7.1 Summary of deposits by type		
Balances of banks	117 583	35 115 189
Current accounts	53 727 901	40 644 346
Savings and call accounts	115 644 322	93 353 180
Fixed deposits	88 049 069	103 389 083
Agrobills	2 290 404	2 770 456
	259 829 279	275 272 254
7.2 Maturity analysis		
On demand	172 447 259	134 884 131
Within 1 month	54 920 748	109 581 281
Between 1 and 6 months	18 276 035	15 166 840
Between 6 and 12 months	1 295 729	2 748 776
After 12 months	12 889 508	12 891 226
	259 829 279	275 272 254
7.3 Deposit concentration		
Private individuals	61 759 084	43 186 754
Agriculture	6 357 060	10 323 468
Mining	1 137 451	1 232 321
Manufacturing	10 877 254	16 279 204
Distribution	9 651 062	10 024 142
Construction	2 912 101	2 068 377
Transport	809 061	1 304 675
Services	81 874 579	69 224 004
Financial	49 485 910	95 844 320
Communication	34 965 717	25 784 989
	259 829 279	275 272 254

8. 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 2017 US$	Audited 31 Dec 2016 US$
Listed equities	2 698 418	1 112 250
Unlisted equities	2 631 477	2 630 378
Gold fund	383 486	353 999
Government and public utilities stock	3 743 800	3 111 901
Investment properties	954 008	954 008
Funds on deposit	7 439 228	8 437 703
Equity accounted investments	11 524 823	11 524 823
Trade and other receivables	301 330	270 491
Non current assets held for sale	332 429	332 429
Gross assets	30 008 999	28 727 982
Less: Deferred tax liabilities	(144 242)	(120 472)
Trade and other payables	(306 481)	(352 896)
Income tax payable	(6 520)	(4 718)
Net assets	29 551 756	28 249 896

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

9. CONTINGENT LIABILITIES

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
9.1 Contingent liabilities		
In respect of treasury bills held in trust held on behalf of customers	1 606 199	3 600 939
In respect of guarantees	13 321 811	5 508 563
	14 928 010	9 109 502

10. RISK MANAGEMENT

10.1 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.

10.2 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.

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

10.2.1 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 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	61 384 425	4 666 594	-	-	66 051 019	63 112 563
Money market investments	6 065 466	1 449 907	-	-	7 515 373	6 615 373
Treasury bills	6 116 163	14 492 150	17 693 876	97 922 155	136 224 344	117 225 502
Mortgages and other advances	37 435 982	14 868 058	12 098 975	48 899 605	113 302 620	97 452 044
Investment securities	-	-	-	28 194 847	28 194 847	28 194 847
	111 002 036	35 476 709	29 792 851	175 016 607	351 288 203	312 600 329
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(214 096 383)	(38 284 851)	(1 290 615)	(32 820 231)	(286 492 080)	(259 829 279)
Amounts due to other banks	(2 230 501)	-	-	-	(2 230 501)	(2 230 501)
Trade and other payables	(4 414 304)	(6 398 915)	(615 460)	(17 480 462)	(28 909 141)	(28 909 141)
Long term loan	-	-	-	(13 875 207)	(13 875 207)	(13 875 207)
	(220 741 188)	(44 683 766)	(1 906 075)	(64 175 900)	(331 506 929)	(304 844 128)
Period gap	(109 739 152)	(9 207 057)	27 886 776	110 840 707	19 781 274	7 756 201
Cumulative gap	(109 739 152)	(118 946 209)	(91 059 433)	19 781 274	-	-

Liquidity gap analysis as at 31 December 2016

	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	80 659 393	3 466 594	-	-	84 125 987	82 193 499
Money market investments	4 770 542	2 180 715	-	-	6 951 257	5 519 513
Treasury bills	-	17 012 439	18 702 671	94 667 057	130 382 167	118 633 706
Mortgages and other advances	41 135 008	13 439 282	17 724 509	51 780 293	124 079 092	99 193 658
Investment securities	-	-	-	20 398 857	20 398 857	20 398 857
	126 564 943	36 099 030	36 427 180	166 846 207	365 937 360	325 939 233
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(212 959 233)	(38 629 373)	(2 770 377)	(39 259 171)	(293 618 154)	(275 272 254)
Amounts due to other banks	(3 135 361)	-	-	-	(3 135 361)	(3 135 361)
Trade and other payables	(6 267 719)	(8 138 216)	-	(12 932 825)	(27 338 760)	(27 338 760)
Long term loan	-	-	-	(13 536 787)	(13 536 787)	(13 536 787)
	(222 362 313)	(46 767 589)	(2 770 377)	(65 728 783)	(337 629 062)	(319 283 162)
Period gap	(95 797 370)	(10 668 559)	33 656 803	101 117 424	28 308 298	6 656 071
Cumulative gap	(95 797 370)	(106 465 929)	(72 809 126)	28 308 298	-	-

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 2017 US$	Audited 31 Dec 2016 US$
Liquidity ratios		
Total liquid assets	186 953 439	205 162 353
Total liabilities to the public	259 829 279	275 272 254
Liquidity ratio	72%	75%
Average for the period	68%	72%
Maximum for the period	72%	76%
Minimum for the period	64%	68%
Minimum statutory liquidity ratio	30%	30%

10.2.2 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.

10.2.2.1 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 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	17 100 508	-	-	-	17 100 508
Money market investments	4 965 373	1 650 000	-	-	6 615 373
Mortgages and other advances	37 642 618	10 806 949	11 343 729	37 658 748	97 452 044
Treasury bills	6 116 163	18 270 853	17 693 876	75 144 610	117 225 502
	65 824 662	30 727 802	29 037 605	112 803 358	238 393 427
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(197 222 840)	(50 221 346)	(1 295 729)	(11 089 364)	(259 829 279)
Period gap	(131 398 178)	(19 493 544)	27 741 876	101 713 994	(21 435 852)
Cumulative gap	(131 398 178)	(150 891 722)	(123 149 846)	(21 435 852)	-

Interest rate gap analysis as at 31 December 2016

	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	33 499 654	-	-	-	33 499 654
Money market investments	2 658 043	2 861 470	-	-	5 519 513
Mortgages and other advances	41 162 653	10 635 835	16 461 641	30 933 529	99 193 658
Treasury bills	-	15 324 946	16 847 522	86 461 238	118 633 706
	77 320 350	28 822 251	33 309 163	117 394 767	256 846 531
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(221 249 721)	(40 522 773)	(2 748 777)	(10 750 983)	(275 272 254)
Period gap	(143 929 371)	(11 700 522)	30 560 386	106 643 784	(18 425 723)
Cumulative gap	(143 929 371)	(155 629 893)	(125 069 507)	(18 425 723)	-

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$3.6 million (2016: US$3.8 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits being increased or decreased by US$3.9 million (2016: US$4.1 million).

10.2.2.2 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 31 December 2016 were as follows:

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Botswana pula	73 265	515 226
British pound	129 986	246 671
Malawian kwacha	479	489
Euro	877 018	764 185
South African rand	1 044 472	2 413 041
Zambian kwacha	396	351
Total assets	2 125 616	3 939 963
Botswana pula	(155 058)	(155 960)
British pound	(43 651)	(60 001)
Euro	(19 890)	(35 347)
South African rand	(2 894 095)	(2 676 992)
Total liabilities	(3 112 694)	(2 928 300)
Net foreign currency position	(987 078)	1 011 663

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$73 291 (2016: US$75 116) and equity being reduced or increased by US$98 708 (2016: US$101 166).

10.2.2.3 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 2017 would result in an increase / (decrease) of US$848 625 (2016: US$500 419) to the reported Group's profit and an increase / (decrease) of US$857 197 (2016: US$495 415) in equity.

10.2.3 Credit risk

Definition
Credit risk is the risk that a counter party will not honour its obligations to the Group as and when they become due.

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 Bank's Credit Committee regularly reviews reports on forbearance activities.

Write off policy
The Bank writes off a loan and any related allowances for impairment losses, when the Bank's Credit 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.

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.

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's 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$13 321 811 (2016: US$5 508 563).

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$7 635 955 (2016: US$6 156 058) and the total assets in the statement of financial position reducing by US$11 050 586 (2016: US$8 908 912).

The table below shows the credit exposure by client quality classification:

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Classification		
Good	104 689 268	87 839 062
Sub-standard	281 608	583 859
Doubtful	324 623	688 973
Loss	16 704 311	25 975 323
Total	121 999 810	115 087 217

Balances include guarantees which are reported as off balance sheet exposures.

The table below shows the Group's exposure to credit risk

	Loans and advanes to customers		Investment securities	
	30 June 2017 US$	31 Dec 2016 US$	30 June 2017 US$	31 Dec 2016 US$
Gross advances	108 677 999	109 578 654	-	-
Guarantees	13 321 811	5 508 563		-
Gross credit exposure	121 999 810	115 087 217	-	-
Less allowance for loan impairments	(7 875 407)	(6 684 196)	-	-
Less interest reserved	(3 350 548)	(3 700 800)	-	-
Carrying amount	110 773 855	104 702 221	8 912 513	8 050 635
Assets at amortised cost				
Non-performing - individually impaired:				
Grade 8: Impaired	289 098	583 859	-	-
Grade 9: Impaired	346 459	688 973	-	-
Grade 10: Impaired	16 704 311	25 975 323	-	-
Gross amount	17 339 868	27 248 155	-	-
Allowance for:				
Impairment	(4 536 646)	(4 470 550)	-	-
Interest reserve	(3 350 548)	(3 595 738)	-	-
Carrying amount	9 791 734	19 181 867	-	-
Watch list - individually impaired:				
Grade 5: Impaired	1 483 983	1 793 021	-	-
Grade 6: Impaired	508 673	259 132	-	-
Grade 7: Impaired	232 671	339 090	-	-
Gross amount	2 225 237	2 391 243	-	-
Allowance for:				
Impairment	(151 700)	(171 016)	-	-
Interest reserve	(339 060)	(105 062)	-	-
Carrying amount	1 734 567	2 115 165	-	-
Good book - collectively impaired:				
Grades 1-4: Low– fair risk	102 434 615	85 447 819	-	-
Gross amount	102 434 615	85 447 819	-	-
Allowance for:				
Impairment	(3 187 061)	(2 042 630)	-	-
Carrying amount	99 247 554	83 405 189	-	-
Neither past due nor impaired:				
Grades 1-4: low– fair risk	-	-	5 809 673	5 858 048
	-	-	5 809 673	5 858 048
Total carrying amount at amortised cost	110 773 855	104 702 221	5 809 673	5 858 048
Assets at fair value through profit and loss:				
Neither past due nor impaired:				
Grades 1-4: low–fair risk	-	-	3 102 840	2 192 587
Carrying amount – fair value	-	-	3 102 840	2 192 587
Total carrying amount	110 773 855	104 702 221	8 912 513	8 050 635
Total carrying amount split as:				
Included in the statement of financial position	97 452 044	99 193 658	8 912 513	8 050 635
Contingent assets	13 321 811	5 508 563	-	-
Total carrying amount	110 773 855	104 702 221	8 912 513	8 050 635

10.3 Other business risks

10.3.1 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.

10.3.2 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.

10.3.2 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.

10.3.3 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.

10.3.4 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.

10.3.5 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 (2016: 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 2017 US$	Audited 31 Dec 2016 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

10.4 Risk rating

10.4.1 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.

10.4.2 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	2017	2016	2015
ZB Bank Limited	BB-	BB-	B+
ZB Building Society	BB	BB	BB
ZB Reinsurance Company	A-	A-	BBB+

Ratings for ZB Bank Limited and ZB Building Society expire in September 2017 whilst the rating for ZB Reinsurance Company will expire in May 2017.

11. COMPLIANCE WITH REGULATIONS

11.1 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 2017. ZB Building Society (ZBBS) did not meet these requirements as at 30 June 2017.

11.2 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.

Additionally, progress has been made to reconfigure the board in order to ensure that a balance is maintained between independent and non-independent members.

11.3 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.

12. BOARD ATTENDANCE DURING THE PERIOD

ZB FINANCIAL HOLDINGS LIMITED (ZBFH) BOARD

Total Meetings	8
Name	Meetings attended
*PROF C MANYERUKE	3
R MUTANDAGAYI	8
O AKERELE	5
F KAPANJE	8
B P NYONI	7
**N M VINGIRAI	5
**M MAHACHI	5
**PROF MURANDA	5
**O MATIZANADZO	5
**DR J D G NHAVIRA	5
**R MBAIWA	3
*T S BVURERE	7

*T S Bvurere was appointed to the board with effect from 17 February 2017
*Prof C Manyeruke was appointed to the board with effect from 17 March 2017
**R Mbaiwa was appointed to the board with effect from 17 March 2017
**Messrs Vingirai, Mahachi, Matizanadzo, Mbaiwa, Dr Nhavira and Prof Muranda served the board up to 12 May 2017.

ZB Bank Limited Board

Total meetings	2
Name	Meetings attended
S A SIBANDA	2
R MUTANDAGAYI	1
G NHEWEYEMBWA	2
P M MATUPIRE	2
C MANDIZVIDZA	2
*C NYACHOWE	1
G N MAHLANGU	2
V B SIBANBA	2
G CHIKOMO	2

*C Nyachowe resigned from the Board with effect from 25 April 2017.

ZB Building Society Board

Total Meetings	3
Name	Meetings attended
S A SIBANDA	2
R MUTANDAGAYI	3
E MUNGONI	3
S K CHIGANZE	3
C MAKONI	3
M T SACHAK	2
C SANDURA	3

ZB Reinsurance Company Board

Total Meetings	2
Name	Meetings attended
R MUTANDAGAYI	2
B SHUMBA	2
F B CHIRIMUUTA	2
*C NYACHOWE	1
P MURAMBINDA (MRS)	2

*C Nyachowe resigned from the Board with effect from 25 April 2017.

ZB Life Assurance Board

Total Meetings	2
Name	Meetings attended
C MANDIZVIDZA	2
R MUTANDAGAYI	2
A G CHINEMBIRI	2
C MAKONI	2
E T Z CHIDZONGA	1
M MKUSHI	2
L MAWIRE	2

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

The future is now

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

REVIEWED FINANCIAL RESULTS - 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
ASSETS			
Cash and short term funds	1	63 542 336	80 689 392
Treasury bills	2	117 225 502	118 633 706
Advances and other accounts	3	84 777 992	86 330 320
Investment securities	4	13 877 740	7 947 948
Inventories, trade and other receivables	5	28 253 935	21 430 807
Investment in associates		4 401 714	4 401 714
Investment in subsidiary company	6	22 448 874	22 237 943
Intangible assets	7	6 497 829	7 850 521
Property and equipment	8	7 729 379	8 582 029
Total assets		348 755 301	358 104 380
LIABILITIES			
Deposits from customers	9	271 946 934	278 864 594
Trade and other payables	10	19 476 584	22 228 230
Deferred liabilities		128 501	828 979
Total liabilities		291 552 019	301 921 803
EQUITY			
Share capital	11	1 810 402	1 810 402
Share premium		32 958 032	32 958 032
Revaluation reserve		1 185 058	1 185 058
General reserve		2 818 325	4 291 393
Retained income		18 431 465	15 937 692
Total equity		57 203 282	56 182 577
Total equity and liabilities		348 755 301	358 104 380

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half year ended 30 June 2017

	Notes	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Interest and related income	12	11 627 940	12 347 464
Interest and related expenses	12	(3 739 637)	(5 762 073)
Net interest and related income		7 888 303	6 585 391
(Allowance for) / net recoveries in respect of impaired loans	3.7	(931 949)	2 285 018
Net interest and related income from lending activities		6 956 354	8 870 409
Commission income		14 683 012	13 742 209
Fee income		340 124	439 385
Other income	13	2 869 185	861 228
Fair value adjustment	14	1 111 830	276 996
Total income		25 960 505	24 190 227
Operating expenses	15	(19 256 499)	(19 592 012)
Profit before taxation		6 704 006	4 598 215
Income tax (expense) / credit	16	(524 075)	37 808
Net profit after taxation		6 179 931	4 636 023
Other Comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value adjustment on treasury bills classified as available for sale, net of tax		(1 186 878)	(1 556 536)
Total comprehensive income for the period		4 993 053	3 079 487
Earnings per share			
Basic and fully diluted earnings per share (cents)		0.034	0.026

STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2017

	Share capital US$	Share premium US$	Revaluation of property and equipment US$	General reserve US$	Available for sale financial assets 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

For the half year ended 30 June 2016

	Share capital US$	Share premium US$	Revaluation of property and equipment US$	General reserve US$	Available for sale financial assets US$	Retained income US$	Total US$
Balance at 31 December 2015	1 810 402	39 451 941	1 185 058	5 432 271	5 137 235	4 648 320	57 665 227
Profit or loss							
Profit for the period	-	-	-	-	-	4 636 023	4 636 023
Other comprehensive income, net of tax							
Mark to market adjustment	-	-	-	-	(1 556 536)	-	(1 556 536)
Distributions							
Dividend to equity holders	-	-	-	-	-	(1 607 994)	(1 607 994)
Other movements							
Regulatory reserve in respect of doubtful debts	-	-	-	(1 835 552)	-	1 835 552	-
Balance as at 30 June 2016	1 810 402	39 451 941	1 185 058	3 596 719	3 580 699	9 511 901	59 136 720

REVIEWED STATEMENT OF CASH FLOWS
For the half year ended 30 June 2017

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Cash used in operating activities	(15 555 773)	(8 453 280)
Interest received	11 627 940	12 347 464
Interest paid	(3 739 637)	(5 762 073)
Net cash generated from operating activities	(7 667 470)	(1 867 889)
Investing activities		
Proceeds on disposal of property and equipment	25 814	42 120
Purchase of investment securities	(5 000 000)	(5 530)
Purchase of property and equipment	(203 442)	(281 455)
Purchase of intangible assets	(81 570)	(541 041)
Dividends received	154 585	33 984
Net cash used in investing activities	(5 104 613)	(751 922)
Cash flows from financing activities		
Dividend paid	(3 972 347)	(1 607 994)
Net cash used in financing activities	(3 972 347)	(1 607 994)
Net decrease in cash and cash equivalents	(16 744 430)	(4 227 805)
Cash and cash equivalents at beginning of year	80 689 392	55 489 755
Effect of exchange rate fluctuations on cash and cash equivalents held	(402 626)	227 121
Cash and cash equivalents at end of period	63 542 336	51 489 071
Cash and cash equivalents comprise:		
- Cash on hand	6 383 652	7 772 233
- Local bank accounts	55 035 840	40 127 005
- Foreign bank accounts	2 122 844	3 589 833
	63 542 336	51 489 071

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 30 June 2017

1. CASH AND CASH EQUIVALENTS

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Balances with the Reserve Bank of Zimbabwe	42 535 840	44 963 967
Balances with other banks and cash	21 006 496	35 725 425
	63 542 336	80 689 392

2. TREASURY BILLS

2.1 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'',
b) as available for sale, and
c) as loans and receivables

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Treasury bills include:		
Assets classified as ''at fair value through profit or loss'' ❶	7 145 479	-
Assets classified as at fair value through other comprehensive income':		
Medium term treasury bills acquired from the market ❷	71 756 745	83 485 452
Assets classified as loans and receivables':		
Treasury bills issued as substitution for debt instruments ❸	23 060 550	20 257 788
Capitalization Treasury bills ❹	15 262 728	14 890 466
	117 225 502	118 633 706

❶ The Bank invested in short term treasury bills issued by the RBZ over a period of 180 days at a rate of 8.5%.
❷ The Bank purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 years.
❸ 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 maturity periods ranging from 2 to 15 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 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.

Classification:-
The CTBs have been classified as loans and receivables in terms of IAS 39:"Financial Instruments: Recognition and Measurement". Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

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 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 as at 30 June 2017:-

Rate	Basis	Reduction in capital
3.93%	Minima	4 084 674
4.63%	Average	4 906 545
5.5%	Maxima	5 862 151

2.2 Contingent treasury bill assets

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
In respect of treasury bills held in trust on behalf of customers	1 606 199	2 615 504

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$6.8 million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US$5.2 million (2016: US$4.2 million) of these treasury bills had been passed on to customers as at 3o June 2017.

These treasury bills have been accounted for as off balance sheet assets as at 30 June 2017 as the Bank is holding them on behalf of customers.

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
3. ADVANCES AND OTHER ACCOUNTS		
3.1. Loans, overdrafts and other accounts at amortised cost	79 396 581	81 404 263
Mortgage loans	8 259 680	6 256 359
Finance leases	2 649 975	2 647 794
Bills discounted	2 244 444	3 432 237
Gross advances	92 550 680	93 740 653
Off balance sheet exposures		
In respect of guarantees	13 321 811	5 508 563
Gross credit exposure	105 872 491	99 249 216
Gross advances	92 550 680	93 740 653
Less: Allowance for loan impairment	(5 033 077)	(4 201 761)
Less: Interest reserved	(2 739 611)	(3 208 572)
Net advances	84 777 992	86 330 320
3.2 Maturity analysis		
- On demand	27 563 633	34 194 434
- Within 1 month	8 413 073	6 063 745
- Between 1 and 6 months	8 637 180	7 840 693
- Between 6 and 12 months	10 238 264	13 218 352
- After 12 months	37 698 530	32 423 429
	92 550 680	93 740 653
3.3 Mortgage loans		
Mortgage advances were spread as follows:		
Type of property		
High density	193 032	157 058
Medium density	742 649	438 786
Low density	2 721 733	1 580 789
Commercial	4 602 266	4 079 726
	8 259 680	6 256 359
3.4 Non-performing debt		
Non-performing loans and advances	13 395 489	23 014 066
Less: Specific and portfolio provisions	(5 033 077)	(4 201 761)
Less: Interest reserved	(2 739 611)	(3 208 572)
Value to be received from security held	5 622 801	15 603 733

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 Bank 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$25 313 489 as at 30 June 2017 (2016: US$27 338 998).

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
3.5 Sectoral analysis of advances		
Private	33 411 329	31 617 766
Agriculture	9 072 823	11 414 159
Mining	3 956 948	6 789 929
Manufacturing	6 823 619	9 449 756
Distribution	6 699 585	7 565 394
Construction	1 549 656	972 468
Transport	3 658 056	1 304 858
Communications	437 904	652 153
Services	17 855 779	16 952 505
Financial	9 084 981	7 021 665
	92 550 680	93 740 653

3.6 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 2017 US$	Audited 31 Dec 2016 US$
Gross investment in finance leases:		
Less than 1 year	942 131	1 084 058
Between 1 and 5 years	2 011 669	1 940 055
Gross investment in finance leases	2 953 800	3 024 113
Unearned finance charges	(303 825)	(376 319)
Net investment in finance leases	2 649 975	2 647 794
Less than 1 year	905 043	1 017 472
Between 1 and 5 years	1 744 932	1 630 322
	2 649 975	2 647 794

3.7 Loan impairment movement

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Balance at 31 December 2016	4 201 761	6 435 666
Charge to statement of profit or loss	1 189 214	1 315 776
Write off charged to provision	(357 898)	(3 549 681)
Balance at end of period	5 033 077	4 201 761
Comprising:		
- specific	3 758 727	3 598 281
- portfolio	1 274 350	603 480
	5 033 077	4 201 761
(Loan impairment charges) / net recoveries to statement of profit or loss		
Charge for loan impairment	(1 189 214)	(1 315 776)
Bad debts written soff	(1 335 174)	-
Recoveries during the period	1 592 439	2 725 370
	(931 949)	1 409 594
4. INVESTMENT SECURITIES		
Designated as at "Fair value through profit or loss"		
Unlisted equities		
Credit Insurance Company Limited	82 150	278 525
Zimswitch Technologies (Private) Limited	1 103 127	457 594
Swift shares	2 283	2 107
Trade investments	1 187 560	738 226
Listed equities	451 741	-
	1 639 301	738 226
Held at amortised cost		
Bank balances	5 747 743	5 796 294
Debentures	895 928	895 928
Corporate Bond	542 407	517 500
Zinara Bond	5 052 361	-
	13 877 740	7 947 948
4.1 Movement of investment securities		
Balance at beginning of the year	7 947 948	8 118 609
Movements during the period:	4 950 222	-
- On Zinara bond	5 000 000	-
- On bank balances	(49 778)	-
Fair value adjustments on unlisted investments	900 899	(145 890)
Accrued interest on bonds	77 267	(24 144)
- current period	94 767	17 500
- prior year received in current period	(17 500)	(41 644)
Exchange gains / (losses)	1 403	(627)
- On bank balances	1 226	(548)
- On unlisted equity investments	177	(79)
Balance at end of period	13 877 740	7 947 948
5. INVENTORIES, TRADE AND OTHER RECEIVABLES		
Inventories	598 586	529 480
Accrued interest	55 741	47 301
Remittances in transit	10 647 440	7 189 815
Advance payments and sundry assets	15 402 566	13 420 937
Amounts clearing from other banks	1 549 602	243 274
	28 253 935	21 430 807
6. INVESTMENT IN SUBSIDIARY COMPANY		
Investment in Barcelona Investment Limited		
Opening net asset value	22 237 943	21 896 146
Fair value gain to profit or loss	210 931	341 797
Carrying value	22 448 874	22 237 943

7. INTANGIBLE ASSETS

	Computer software US$	Capital work in progress US$	Total US$
2017			
Cost or valuation			
Balance at 1 January 2017	19 133 122	228 412	19 361 534
Additions	81 570	-	81 570
Balance at 30 June 2017	19 214 692	228 412	19 443 104
Accumulated amortisation			
Balance at 1 January 2017	11 511 013	-	11 511 013
Recognised in profit or loss	1 434 262	-	1 434 262
Balance at 30 June 2017	12 945 275	-	12 945 275
Carrying value at 30 June 2017	6 269 417	228 412	6 497 829

	Computer software US$	Capital work in progress US$	Total US$
2016			
Cost or valuation			
Balance at 1 January 2016	12 790 953	5 383 554	18 174 507
Additions	631 727	555 300	1 187 027
Transfers between categories	5 710 442	(5 710 442)	-
Balance at 31 December 2016	19 133 122	228 412	19 361 534
Accumulated amortisation			
Balance at 1 January 2016	8 591 900	-	8 591 900
Recognised in profit or loss	2 919 113	-	2 919 113
Balance at 31 December 2016	11 511 013	-	11 511 013
Carrying value at 31 December 2016	7 622 109	228 412	7 850 521

8. PROPERTY AND EQUIPMENT

	Leasehold improvements US$	Equipment, Furniture & Fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
2017					
Cost on valuation					
Balance at 1 January 2017	6 381 514	4 246 812	6 866 628	3 594 285	21 089 239
Additions	76 535	29 341	60 556	37 010	203 442
Disposals	-	(9 523)	(6 955)	(91 592)	(108 070)
Balance at 30 June 2017	6 458 049	4 266 630	6 920 229	3 539 703	21 184 611
Accumulated depreciation					
Balance at 1 January 2017	2 926 383	2 087 952	4 553 120	2 939 755	12 507 210
Recognised in profit or loss	285 104	185 857	424 765	147 076	1 042 802
Disposals	-	(6 087)	(6 260)	(82 433)	(94 780)
Balance at 30 June 2017	3 211 487	2 267 722	4 971 625	3 004 398	13 455 232
Carrying value at 30 June 2017	3 246 562	1 998 908	1 948 604	535 305	7 729 379
2016					
Cost on valuation					
Balance at 1 January 2016	6 205 745	4 141 167	5 953 779	3 507 608	19 808 299
Additions	175 769	143 781	920 509	207 657	1 447 716
Disposals	-	(38 136)	(7 660)	(120 980)	(166 776)
Balance at 31 December 2016	6 381 514	4 246 812	6 866 628	3 594 285	21 089 239
Accumulated depreciation					
Balance at 1 January 2016	2 365 604	1 741 318	3 678 481	2 601 997	10 387 400
Recognised in profit or loss	560 779	367 964	881 533	399 170	2 209 446
Disposals	-	(21 330)	(6 894)	(61 412)	(89 636)
Balance at 31 December 2016	2 926 383	2 087 952	4 553 120	2 939 755	12 507 210
Carrying value at 31 December 2016	3 455 131	2 158 860	2 313 508	654 530	8 582 029

9. DEPOSITS AND OTHER ACCOUNTS

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Deposits by type		
Current accounts	53 727 901	40 644 346
Savings and call accounts	113 151 991	87 633 462
Term deposits	104 947 694	115 469 812
Bank deposits	117 584	35 115 190
Other	1 764	1 784
	271 946 934	278 864 594
Maturity analysis of deposits from customers		
On Demand	166 879 893	128 277 809
Within 1 month	54 898 017	109 564 553
Between 1 and 6 months	48 910 722	38 315 532
Between 6 and 12 months	1 258 302	2 706 700
	271 946 934	278 864 594
Deposit concentration		
Private	48 021 674	33 317 864
Agriculture	5 215 358	9 204 388
Mining	1 137 451	1 232 321
Manufacturing	10 637 943	15 896 748
Distribution	6 848 796	7 305 728
Construction	2 912 101	2 068 377
Transport	809 061	1 304 675
Services	80 885 453	68 740 382
Financial	85 985 575	119 448 134
Communications	29 493 522	20 345 977
	271 946 934	278 864 594

10. TRADE AND OTHER PAYABLES

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Interest accrued on deposits	568 106	715 218
Items in transit	2 432 174	1 792 750
Accruals and sundries	14 245 803	16 584 902
Amounts clearing to other banks	2 230 501	3 135 360
	19 476 584	22 228 230

11. SHARE CAPITAL

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Authorised;		
300 000 000 (2016: 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 (2016: 181 040 166)	1 810 402	1 810 402
Capital adequacy		
Ordinary share capital	1 810 402	1 810 402
Share premium	32 958 032	32 958 032
Reserves	21 249 790	19 942 897
Loans to group entities	(138 666)	(3 024 343)
	55 879 558	51 686 988
Add: fair value adjustments on capitalisation treasury bills	4 737 272	5 109 534
Tier 1 capital	60 616 830	56 796 522
General provisions	-	286 189
Revaluation reserve	1 185 058	1 185 058
Tier 2 capital	1 185 058	1 471 247
Total capital base	61 801 888	58 267 769
Credit risk weighted assets	150 630 877	150 919 871
Operational risk equivalent assets	74 592 317	71 760 053
Market risk equivalent assets	10 399 070	12 437 458
Total risk weighted assets	235 622 264	235 117 382
Tier 1 capital ratio	25.73%	24.16%
Tier 2 capital ratio	0.50%	0.63%
Capital adequacy ratio	26.23%	24.79%

12. NET INTEREST AND RELATED INCOME

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
12.1 Interest and related income		
Advances	3 347 392	4 141 814
Overdrafts	1 000 477	692 686
Establishment fees	846 383	1 075 410
Placements with other banks	162 945	332 107
Treasury bills	6 161 685	6 079 282
Other interest receivable categories	109 058	26 165
Total interest income	11 627 940	12 347 464
12.2 Interest and related expense		
Customer deposits	3 568 197	4 384 264
Placements from other banks	71 016	680 606
Other interest expense categories	100 424	697 203
Total interest expense	3 739 637	5 762 073
Net interest income	7 888 303	6 585 391

13. OTHER INCOME

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Exchange income	309 610	65 493
Dividends from investment securities	1 904 339	33 984
Recovery of shared costs	501 742	647 508
Rent received	62 836	89 147
Profit/(loss) on sale of property and equipment	12 524	(22 326)
Sundry income	78 134	47 422
	2 869 185	861 228

14. FAIR VALUE ADJUSTMENTS

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
14.1 Arising from FVTPL instruments		
Investment securities	900 899	(104 590)
Investment in subsidiary company	210 931	381 586
	1 111 830	276 996

15. OPERATING EXPENSES

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Staff expenses	7 286 035	6 348 039
Communication expenses	261 284	176 532
Computer and information technology	1 933 918	1 525 875
Occupation expenses	1 945 995	2 055 959
Transport expenses	157 230	154 995
Travelling expenses	160 684	131 332
Administration expenses	7 511 353	9 199 280
	19 256 499	19 592 012
Included in administration expenses are the following:		
Depreciation charges on property and equipment	1 042 801	1 074 644
Amortisation of intangible assets	1 434 262	1 362 996
Auditors' remuneration	81 303	85 062

16. TAXATION

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Current income tax expense	812 941	-
Deferred taxation credit	(288 866)	(37 808)
	524 075	(37 808)

Since 1951

ZB FINANCIAL HOLDINGS

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

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17. CONTINGENT LIABILITIES AND COMMITMENTS

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
In respect of guarantees	13 321 811	2 615 504
In respect of treasury bills held in trust on behalf of clients	1 606 199	5 508 563

18. 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 2017						
FINANCIAL ASSETS BY TYPE						
Cash and cash equivalents	60 075 742	3 466 594	-	-	63 542 336	63 542 336
Treasury bills	6 116 163	14 492 150	17 693 876	97 922 155	136 224 344	117 225 502
Advances and other accounts	35 987 312	8 869 525	10 803 269	31 415 118	87 075 224	84 777 992
Investment securities	-	-	-	13 877 740	13 877 740	13 877 740
	102 179 217	26 828 269	28 497 145	143 215 013	300 719 644	273 675 827
FINANCIAL LIABILITIES BY TYPE						
Deposits and other accounts	222 074 451	49 175 476	1 265 114	-	272 515 041	271 946 934
Trade and other payables	4 414 304	4 241 737	615 460	10 205 083	19 476 584	19 476 584
	226 488 755	53 417 213	1 880 574	10 205 083	291 991 625	291 423 518
Period gap	(124 309 538)	(26 588 944)	26 616 571	133 009 930	8 728 019	(17 747 691)
Cumulative gap	(124 309 538)	(150 898 482)	(124 281 911)	8 728 019	-	-
As at 31 December 2016						
FINANCIAL ASSETS BY TYPE						
Cash and cash equivalents	77 222 798	3 466 594	-	-	80 689 392	80 689 392
Treasury bills	-	17 012 439	18 702 671	94 667 057	130 382 167	118 633 706
Advances and other accounts	40 288 959	8 055 739	14 014 999	36 293 210	98 652 907	86 330 320
Investment securities	-	-	-	7 947 948	7 947 948	7 947 948
	117 511 757	28 534 772	32 717 670	138 908 215	317 672 414	293 601 366
FINANCIAL LIABILITIES BY TYPE						
Deposits and other accounts	238 319 087	38 538 287	2 722 437	-	279 579 811	278 864 594
Trade and other payables	5 643 328	3 652 077	-	12 932 825	22 228 230	22 228 230
	243 962 415	42 190 364	2 722 437	12 932 825	301 808 041	301 092 824
Period gap	(126 450 658)	(13 655 592)	29 995 233	125 975 390	15 864 373	(7 491 458)
Cumulative gap	(126 450 658)	(140 106 250)	(110 111 017)	15 864 373	-	-

Liquidity ratios

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Liquidity ratios		
Total liquid assets	180 767 838	199 323 098
Total liabilities to the public	271 946 934	278 884 594
At 31 December	66%	71%
Average for the period	68%	72%
Maximum for the period	72%	76%
Minimum for the period	64%	68%
Minimum statutory liquidity ratio	30%	30%

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 2017					
ASSETS					
Cash and short term funds	14 622 844	-	-	-	14 622 844
Treasury bills	6 116 163	14 492 150	17 693 876	78 923 313	117 225 502
Advances and other accounts	35 976 706	8 637 180	10 238 266	29 925 840	84 777 992
	56 715 713	23 129 330	27 932 142	108 849 153	216 626 338
LIABILITIES					
Deposits from customers	221 777 910	48 910 722	1 258 302	-	271 946 934
Period gap	(165 062 197)	(25 781 392)	26 673 840	108 849 153	(55 320 596)
Cumulative gap	(165 062 197)	(190 843 589)	(164 169 749)	(55 320 596)	-
As at 31 December 2016					
ASSETS					
Cash and short term funds	30 167 926	-	-	-	30 167 926
Treasury bills	-	15 324 946	16 847 522	85 276 874	117 449 342
Advances and other accounts	40 258 179	7 840 692	13 218 350	25 013 099	86 330 320
	70 426 105	23 165 638	30 065 872	110 289 973	233 947 588
LIABILITIES					
Deposits and other accounts	237 842 362	38 315 531	2 706 701	-	278 864 594
Period gap	(167 416 257)	(15 149 893)	27 359 171	110 289 973	(44 917 006)
Cumulative gap	(167 416 257)	(182 566 150)	(155 206 979)	(44 917 006)	-

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

REVIEWED FINANCIAL RESULTS - 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
ASSETS			
Cash and cash equivalents	1	886 752	1 287 409
Money market placements	2	16 000 000	14 000 000
Loans and advances	3	13 078 586	14 452 621
Inventories, trade and other receivables	4	791 010	768 215
Investment securities		91 579	37 988
Investment properties	5	6 524 742	6 510 000
Investment in subsidiaries	6	4 981 923	4 937 738
Property and equipment	7	986 401	1 031 246
Total assets		43 340 993	43 025 217
LIABILITIES			
Deposits from customers	8	24 659 459	20 555 417
Trade and other payables	9	885 068	4 486 139
Deferred taxation liabilities	10	360 793	360 500
Total liabilities		25 905 320	25 402 056
Share capital	11	954 814	954 814
Share premium		8 896 953	8 896 953
Reserves		7 583 906	7 771 394
Total equity		17 435 673	17 623 161
Total equity and liabilities		43 340 993	42 025 217

STATEMENT OF PROFIT OR LOSS
For the half year ended 30 June 2017

	Notes	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Interest and related income	12	1 081 795	1 682 859
Interest and related expense	13	(176 271)	(176 277)
Net interest and related income		905 524	1 506 582
Allowance for impairment		25 353	24 482
Net interest and related income from lending activities		930 877	1 531 064
Trading and other income	14	1 611 952	1 663 129
Fair value adjustment	15	97 776	41 585
Total income		2 640 605	3 235 778
Operating expenses	16	(2 469 907)	(2 559 854)
Profit before taxation		170 698	675 924
Income tax expense		(293)	(13 007)
Profit after taxation		170 405	662 917
Profit attributable to:			
Owners of the parent		170 405	662 917
		170 405	662 917
Earnings per share			
Basic and fully diluted earnings per share (cents)		0.18	0.69

STATEMENT OF CHANGES IN EQUITY
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
For the half year ended 30 June 2016						
Balance at 31 December 2015	954 814	8 896 953	269 442	-	7 057 628	17 178 837
Profit or loss						
Profit for the period	-	-	-	-	662 917	662 917
Transactions with owners of the Society						
Dividends to equity holders	-	-	-	-	(414 199)	(414 199)
Other movements						
Regulatory reserve in respect of doubtful debts	-	-	-	25 590	(25 590)	-
Balance at 30 June 2016	954 814	8 896 953	269 442	25 590	7 280 756	17 427 555

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

STATEMENT OF CASH FLOWS
For the half year ended 30 June 2017

	Notes	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
Cash used in operating activities		(952 822)	(1 455 556)
Interest and related income received	12	1 081 795	1 682 859
Dividend received		19 672	30 683
Interest and related expenses paid	13	(176 271)	(176 277)
Net cash (used in) / generated from operating activities		(27 626)	81 709
Cash flows from investing activities			
Proceeds on disposal of property and equipment		2	12
Purchase of property and equipment		(398)	(309 080)
Purchase of investment property		(14 742)	-
Net cash used in investing activities		(15 138)	(309 068)
Cash flows from financing activities			
Dividends paid		(357 893)	(414 199)
Net cash used in financing activities		(357 893)	(414 199)
Net decrease in cash and cash equivalents		(400 657)	(641 558)
Cash and cash equivalents at beginning of period		1 287 409	1 275 665
Cash and cash equivalents at end of 30 June 2017		886 752	634 107
Cash and cash equivalents comprise of:			
Cash on hand		31 020	113 747
Local bank accounts		855 732	520 360
		886 752	634 107

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 30 June 2017

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
1. CASH AND CASH EQUIVALENTS		
Cash on hand	31 020	104 836
Local bank accounts	855 732	1 182 573
	886 752	1 287 409
2. MONEY MARKET PLACEMENTS		
Fixed deposits	16 000 000	14 000 000
3. LOANS AND ADVANCES		
Categories of loans and advances		
Mortgage loans		
Residential properties	10 811 496	11 293 291
Commercial properties	84 610	182 875
Other loans and advances		
Consumer loans	3 977 760	4 678 379
Gross loans and advances	14 873 866	16 154 545
Less: specific and portfolio allowance for impairment	(1 184 343)	(1 209 696)
Interest reserve	(610 937)	(492 228)
Net loans and advances	13 078 586	14 452 621
3.1 Maturity analysis		
Within 1 month	1 250 345	904 473
Between 2 – 6 months	300 819	853 468
Between 7 – 12 months	719 630	3 244 151
After 12 months	12 603 072	11 152 453
	14 873 866	16 154 545
3.2 Sectoral analysis		
Individuals	14 789 256	15 971 670
Services	84 610	182 875
	14 873 866	16 154 545
3.3 Specific and portfolio allowance for impairment		
Balance at beginning of the period	1 209 696	1 119 538
(Credit) / charge to statement of profit or loss	(25 353)	90 158
Balance at end of the period	1 184 343	1 209 696
Comprising:		
Portfolio allowance	254 724	166 410
Specific allowance	929 619	1 043 286
	1 184 343	1 209 696
4. INVENTORIES, TRADE AND OTHER RECEIVABLES		
Interest receivable	1 653	1 978
Sundry debtors and other accounts	80 379	57 679
Inventories	270 000	270 000
Intercompany balances	438 978	438 558
	791 010	768 215
5. INVESTMENT PROPERTIES		
Fair value at the beginning of period	6 510 000	3 475 000
Transfer from property and equipment	-	3 000 000
Additions	14 742	350 451
Fair value loss	-	(315 451)
Fair value at the end of period	6 524 742	6 510 000

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
6. INVESTMENT IN SUBSIDIARIES		
Fair value at the beginning of period	4 937 738	4 480 339
Fair value gain	44 185	457 399
Fair value at the end of period	4 981 923	4 937 738

7. PROPERTY AND EQUIPMENT

	Freehold properties US$	Leasehold Improvements US$	Motor vehicles US$	Office furniture & equipment US$	Computer equipment US$	Total US$
2017						
Cost/valuation						
Balance at 1 January 2017	719 497	196 796	215 498	469 407	303 719	1 904 917
Additions	-	-	-	398	-	398
Disposals	-	-	-	-	(136)	(136)
Balance at 30 June 2017	719 497	196 796	215 498	469 805	303 583	1 905 179
Accumulated depreciation						
Balance at 1 January 2017	19 497	110 972	204 599	278 258	260 345	873 671
Recognised in profit or loss	8 877	8 896	2 524	23 429	1 503	45 229
Disposals	-	-	-	-	(122)	(122)
Balance at 30 June 2017	28 374	119 868	207 123	301 687	261 726	918 778
Carrying amount at 30 June 2017	691 123	76 928	8 375	168 118	41 857	986 401
2016						
Cost/valuation						
Balance at 1 January 2016	3 828 594	196 796	215 498	471 473	301 461	5 013 822
Transfer to investment property	(3 093 282)	-	-	-	-	(3 093 282)
Additions	-	-	-	509	4 384	4 893
Revaluation loss	(15 815)	-	-	-	-	(15 815)
Disposals	-	-	-	(2 575)	(2 126)	(4 701)
Balance at 31 December 2016	719 497	196 796	215 498	469 407	303 719	1 904 917
Accumulated depreciation						
Balance at 1 January 2016	108 594	93 180	189 456	232 347	259 136	882 713
Transfer to investment property	(93 282)	-	-	-	-	(93 282)
Recognised in profit or loss	4 185	17 792	15 143	47 448	3 122	87 690
Disposals	-	-	-	(1 537)	(1 913)	(3 450)
Balance at 31 December 2016	19 497	110 972	204 599	278 258	260 345	873 671
Carrying amount at 31 December 2016	700 000	85 824	10 899	191 149	43 374	1 031 246

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
8. DEPOSITS FROM CUSTOMERS		
8.1 Deposit by type		
Savings accounts	14 060 355	10 032 190
Fixed deposits	10 599 104	10 532 227
	24 659 459	20 555 417
8.2 Sectoral Analysis		
Private individuals	13 861 050	10 028 465
Financial institutions	153 812	384 371
Communication	5 472 191	5 439 010
Manufacturing	239 311	382 456
Distribution	2 802 267	2 718 414
Agriculture	1 141 702	1 119 080
Services	989 126	483 621
	24 659 459	20 555 417
8.3 Maturity analysis		
On demand	13 944 454	9 915 409
Within 1 month	22 731	16 728
1 month to 6 months	55 743	48 977
6 months to 12 months	37 427	42 076
More than 1 year	10 599 104	10 532 227
	24 659 459	20 555 417
9. TRADE AND OTHER PAYABLES		
Interest payable	457	456
Creditors and other accounts	82 588	3 387 694
Deferred income	451 379	574 335
Intercompany balances	345 400	519 596
Leave pay provision	5 244	4 058
	885 068	4 486 139
10. DEFERRED TAXATION LIABILITIES		
Deferred taxation movement		
At the beginning of the period	360 500	359 750
Charge to the statement of profit or loss	293	1 541
From revaluation of property	-	(791)
Balance at the end of the period	360 793	360 500
Deferred taxation comprises:		
Temporary differences arising from:		
Property and equipment	34 556	35 000
Investment properties	326 237	325 500
	360 793	360 500

REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

11. EQUITY AND RESERVES

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Share capital		
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
Capital adequacy ratio		
Share capital	954 814	954 814
Share premium	8 896 953	8 896 953
Retained earnings	7 470 508	7 749 120
Related party exposure	(310 340)	(430 648)
Tier 1 Capital	17 011 935	17 170 239
Revaluation reserves	22 274	22 274
General reserves	91 124	-
Tier 2 Capital	113 398	22 274
Total capital base	17 125 333	17 192 513
Credit risk weighted assets	26 168 887	24 680 395
Operational risk equivalent assets	8 279 037	11 007 133
Total risk weighted assets	34 447 924	35 687 528
Tier 1	49%	48%
Capital adequacy ratio	49%	48%
Reserve Bank of Zimbabwe minimum requirement	12%	12%

	Reviewed 30 June 2017 US$	Reviewed 30 June 2016 US$
12. INTEREST AND RELATED INCOME		
Loans and advances	861 037	1 502 118
Short term funds and placements	220 758	180 741
	1 081 795	1 682 859
13. INTEREST AND RELATED EXPENSE		
Fixed deposits	153 919	149 416
Savings accounts	22 352	26 861
	176 271	176 277
Net interest income	905 524	1 506 582
14. TRADING AND OTHER INCOME		
Commissions and fees	1 416 756	1 401 548
Operating lease rental income	146 226	156 557
Other	48 970	105 024
	1 611 952	1 663 129
15. FAIR VALUE ADJUSTMENT		
Financial assets designated at fair value through profit or loss		
Fair value adjustment on unlisted equity	53 591	6 482
Fair value adjustment on subsidiaries	44 185	35 102
	97 776	41 585
16. OPERATING EXPENSES		
Staff costs	429 613	378 622
Communication expenses	7 889	1 777
Computer and information technology	281 580	266 235
Occupation expenses	92 724	100 623
Transport costs	6 810	10 983
Security costs	71 514	56 995
Administration expenses	1 579 777	1 744 619
	2 469 907	2 559 854
Included in administration expenses are the following:		
Depreciation of property and equipment	45 229	45 654
Audit fees	46 171	46 690
17. TAXATION		
Tax expense comprises:		
Deferred tax expense	293	13 007

18. RISK MANAGEMENT

18.1 Liquidity Gap Analysis

	Up to 1 month US$	2 - 6 months US$	7 - 12 months US$	Above 12 months US$	Gross nominal inflow/ (outflow) US$	Carrying amount US$
As at 30 June 2017						
Assets						
Cash and cash equivalents	886 752	-	-	-	886 752	886 752
Money market placements	16 052 972	-	-	-	16 052 972	16 000 000
Loans and advances	1 448 670	586 780	1 295 706	17 413 584	20 744 740	13 078 586
Investment securities	-	-	-	91 579	91 579	91 579
	18 388 394	586 780	1 295 706	17 505 163	37 776 043	30 056 917
Financial liability by type						
Deposits from customers	12 021 932	11 672	25 501	12 612 294	24 671 399	24 659 459
Trade and other payables	-	885 068	-	-	885 068	885 068
	12 021 932	896 740	25 501	12 612 294	25 556 467	25 544 527
Period gap	6 366 462	(309 960)	1 270 205	4 892 869	12 219 576	4 512 390
Cumulative gap	6 366 462	6 056 502	7 326 707	12 219 576	-	-
As at 31 December 2016						
Assets						
Cash and cash equivalents	1 287 409	-	-	-	1 287 409	1 287 409
Money market placements	14 037 500	-	-	-	14 037 500	14 000 000
Loans and advances	911 257	887 924	3 709 510	15 404 552	20 913 243	14 452 621
Investment securities	-	-	-	37 988	37 988	37 988
	16 236 166	887 924	3 709 510	15 442 540	36 276 140	29 778 018
Financial liability by type						
Deposits from customers	10 793 645	91 086	47 940	10 401 725	21 334 396	20 555 417
Trade and other payables	-	4 486 139	-	-	4 486 139	4 486 139
	10 793 645	4 577 225	47 940	10 401 725	25 820 535	25 041 556
Period gap	5 442 521	(3 689 301)	3 661 570	5 040 815	10 455 605	4 736 462
Cumulative gap	5 442 521	1 753 220	5 414 790	10 455 605	-	-

18.2 Liquidity ratios

	Reviewed 30 June 2017 US$	Audited 31 Dec 2016 US$
Total liquid assets	16 886 752	15 287 409
Deposit from customers	24 659 459	20 555 417
Liquidity ratio	68%	74%
Minimum statutory liquidity ratio	30%	30%

18.3 Interest Rate Gap Analysis

	Up to 1 month US$	2 - 6 months US$	7 - 12 months US$	Above 12 months US$	Carrying amount US$
As at 30 June 2017					
Assets					
Local bank accounts	855 732	-	-	-	855 732
Money market placements	16 000 000	-	-	-	16 000 000
Loans and advances	1 665 912	510 246	1 105 463	9 796 965	13 078 586
	18 521 644	510 246	1 105 463	9 796 965	29 934 318
Financial liability by type					
Deposits from customers	13 967 185	55 743	37 427	10 599 104	24 659 459
Sensitivity gap	4 554 459	454 503	1 068 036	(802 139)	5 274 859
Cumulative gap	4 554 459	5 008 962	6 076 998	5 274 859	-
As at 31 December 2016					
Assets					
Local bank accounts	1 182 573	-	-	-	1 182 573
Money market placements	14 000 000	-	-	-	14 000 000
Loans and advances	904 474	852 166	3 243 291	9 452 690	14 452 621
	16 087 047	852 166	3 243 291	9 452 690	29 635 194
Financial liability by type					
Deposits from customers	9 932 136	48 977	42 076	10 532 228	20 555 417
Sensitivity gap	6 154 911	803 189	3 201 215	(1 079 538)	9 079 777
Cumulative gap	6 154 911	6 958 100	10 159 315	9 079 777	-