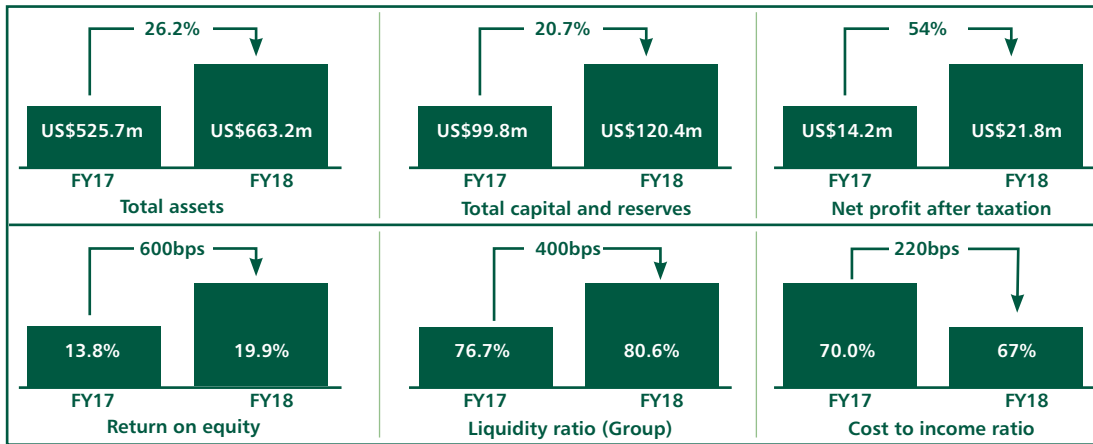




FINANCIAL HIGHLIGHTS



bps - Basis points

CHAIRMAN'S STATEMENT

Operating Environment

The Government of Zimbabwe estimated economic growth for 2018 at 4%, down from an initial projection of 4.5%. Amongst other factors, this underperformance can be attributed to the challenges experienced in the supply and allocation of foreign currency, the misalignment of exchange rates in relation to the local currency and resurgent inflationary pressures in the wake of a pervasive multi-tier pricing regime.

Growth momentum was notable in the agriculture and mining sectors which are estimated to have increased in 2018 by 12.4% and 13% respectively. The agriculture sector benefited from a number of input support schemes whilst the El Nino induced weather patterns presented downside risk. On the other hand, a 33.9% increase in gold deliveries, a 9% increase in diamond extraction and a 7.4% increase in nickel output spurred growth in the mining sector.

Against the backdrop of a raft of monetary and fiscal policy measures announced in October 2018 aimed at addressing the distribution of foreign currency resources and rebalancing the fiscus by curtailing money supply whilst expanding the tax base through the introduction of the 2% Intermediated Money Transfer Tax, inflation rallied in the last quarter of 2018 to close the year at 42.09% of a year-on-year basis, rising from 3.52% in January 2018.

The level of capitalization on the Zimbabwe Stock Exchange increased by 123% from US\$8.7billion in January, 2018 to US\$19.4billion at 31 December 2018 as market players sought to hedge their positions against inflation risk.

The level of precipitation for the 2018/2019 farming season was well below long term averages, thus constraining growth prospects for 2019. The Government of Zimbabwe expects growth at 4% whilst the International Monetary Fund (IMF), in its April 2019 World Economic Outlook report projects economic recession for Zimbabwe with a growth projection of -5.2% for 2019. The government therefore faces a big challenge balancing out the threat of recession against its commitment to aggressive austerity measures.

Financial Performance

The Group recorded a full year profit of \$21.8 million, representing a 54% improvement on the \$14.2 million restated profit outturn for the full year in 2017. The financial performance of the Group is discussed in more detail in the Group Chief Executive Officer's report.

Dividend

A dividend of ZWL 1.57 cents per share for the year ended 31 December 2018 has been declared by the Board.

Legal contingencies and regulatory issues

The Board remains hopeful that resolution to the long standing dispute between the Company and a shareholder, Transnational Holdings Limited regarding the ownership of a subsidiary entity, Intermarket Holdings Limited, will be achieved soon.

I am glad to report that significant progress has been made in dealing with issues raised in a Corrective Order initially issued on 7 March, 2017 and reviewed in March, 2018 by the Reserve Bank of Zimbabwe.

Directorate

Ms Thenjiwe Sibanda, Mrs Agnes Makamure and Mr Kangai Maukazuva were appointed to the Company's Board on 1 March, 2019. I welcome them to the Group and look forward to their contribution to the Group's affairs.

Outlook

As Government continues to pursue aggressive austerity measures and monetary reforms aimed at normalizing the economy in the medium term businesses will be hounded by the short-term transitional dislocations which include a high inflation outturn and adverse liquidity conditions, factors which are likely to result in balance sheet contraction in real terms. The Group will therefore, prioritise capital preservation in the execution of its strategies whilst cautiously taking advantage of any growth opportunities without overstretching the liquidity position.

Conclusion

I would like to take the opportunity to thank Board colleagues, management and staff and all other stakeholders for the contributions made in achieving the 2018 results.

Professor C. Manyeruke
Chairman
29 April 2019

GROUP CHIEF EXECUTIVE'S REPORT

Background

The 2018 operating environment was fraught with challenges, chief amongst which were:

- the continued shortage and suboptimal distribution of foreign currency which slowed down productivity in the business sector and led to the accumulation of foreign liabilities for many companies;
- the shortage of the local surrogate currency, the bond note, which, besides promoting a wholesale shift from cash-based local settlement options to mobile and card based platforms, created settlement arbitrage opportunities; and
- the general use of a multi-tier pricing system with prices varying depending on the mode of settlement, thus creating a de-facto exchange rate between the local currency which was officially pegged at par to the United States Dollar.

The above factors created fertile ground for the resurgence of inflation and the economy experienced a sharp release of prices in the last quarter of the year, with the year-on-year inflation rate increasing from 5.39% in September, 2018 to 20.85% in October 2018 before closing the year at 42.09%. This created immense cost pressure on the Group whilst at the same time presenting a real risk of achieving negative returns on investments.

The pervasive value distortions arising from the diminished convertibility of the local currency and the pricing dynamics on the market resulted in the Group being unable to fully comply with provisions of International Financial Reporting Standards, particularly IAS 21: "The Effects of Changes in Foreign Exchange Rates". Resultantly, an adverse audit opinion was issued on the financial statements on account of this deficiency, which is beyond the control of management.

The Group has, however, followed the reporting guidance provided by the Public Accountants and Auditors Board as well as legal provisions contained in Statutory Instrument 33 of 2019 which defines the currency for reporting purposes in Zimbabwe.

In spite of the aforementioned challenges, the Group posted nominal growth, achieving a profit of \$21.8 million in 2018 against a restated profit of \$14.2 million in 2017.

Operating Results

Net revenue improved by 21%, from \$69 million in 2017 to \$83.5m in 2018. This was underpinned by improved performance in net income from lending activities, net insurance premium income as well as fair value credits on the investment portfolio.

Net income from lending and trading activities recorded a 29.1% improvement, from \$14.8 million in 2017, to \$19.1 million in 2018. This was on the back of a 23.2% rise in interest and related income from \$24.8 million in 2017 to \$30.6 million in 2018 driven by a 31% growth in earning assets constituting the loan book and the trading book as the Group capitalised on the liquidity glut in the early part of the year.

The provision for expected credit losses recognized during the year amounted to \$4.9 million, an increase of 64% from \$3 million posted in 2017. This is over and above a further \$2.2 million charged against opening reserves upon adoption of a new financial reporting standard, IFRS 9 "Financial Instruments".

Gross insurance premiums earned by the Group increased by 6% from \$30.8 million in 2017 to \$32.8 million in 2018. This was driven by a 17% growth in life assurance premiums, underpinned by a buoyant new business run in the first half of the year. Diminished household income levels however resulted in higher policy surrenders despite an overall improvement in the loss ratio in the life operations from 40% in 2017 to 38% in 2018.

Reinsurance premiums remained flat over the two years representing inherent cost challenges faced both at business and household level. The improved quality of underlying risk resulted in an improvement in the claims ratio from 59% in 2017 to 45% in 2018.

On aggregate, net results from the insurance activities increased by 3% from \$9.6 million in 2017 to \$9.9 million in 2018.

Other operating income increased by 8% from \$41.8 million to \$45 million and is largely comprised of banking commissions which, at the level of \$39.9 million in 2018, increased by 6% from \$37.8 million in 2017.

A fair value credit of \$9.3m was posted in 2018, having increased by 240% from \$2.7 million in 2017. This outturn mirrors the performance of the Zimbabwe Stock Exchange as well as the general appreciation in the value of investment assets in line with market trends.

Operating expenses rose by 10% from \$50.9 million in 2017 to \$56.2 million in 2018. The increase in costs was 11 points lower than the increase in revenue. However, the cost base does not reflect the full impact of the inflationary pressures from the third quarter of 2018 which have spilled over into 2019. The Group will continue to monitor cost expansion, striking a balance between business demands in an inflationary environment and real revenue growth.

Total assets for the Group increased by 26.2%, from \$525.7 million in 2017 to \$663.2 million underpinned by growth in money market investments (206% from \$3.5 million in 2017 to \$10.7 million in 2018), investment securities (53.9% from \$36.7 million in 2017 to \$56.5 million in 2018), mortgages and other advances (16.1% from \$105 million to \$121.9 million), and sovereign paper holdings (24.6% from \$156 million in 2017 to \$194.3 million in 2018).

A notable improvement in the quality of the Group's assets exposed to credit risk was observed with the non-performing loans ratio having improved to 4.6% at 31 December, 2018, compared to 10.7% reported at 31 December, 2017. This improvement is a result of collection efforts and credit expansion through tight credit selection processes in an environment where credit absorption in the productive sector has remained low.

Deposits increased by 24.8% from \$347.1 million in 2017 to \$433 million in 2018. However, deposits still remained transitory in nature, and hence sensitive to short-term market dynamics.

The Group maintained aggregate liquidity ratios above 79% throughout the year, providing a substantial cushion against the regulatory minimum ratio of 30%. Mild liquidity strain was experienced during the last quarter following fiscal measures that drained substantial chunks of liquidity from the market.

Total equity increased by 20.7% from \$99.8 million at 31 December, 2017 to \$120.4 million at 31 December, 2018. This is after a net reduction of \$2.4 million arising from technical adjustments at the beginning of the year connected with the initial application of new financial reporting standards. The increase is driven by the profit outturn for the year of \$21.8 million, net other comprehensive income movements of \$4.2 million and a deduction for prior year dividend amounting to \$2.9 million.

The Group expects to meet the Tier 1 minimum capital requirements for its banking operations set at \$100 million by 2020 from organic growth and internal reorganization. Going forward, strengthening the overall level and quality of equity in the Group will be a key priority area.

Business Update

In its efforts to support the productive sectors of the economy, the Group has made satisfactory progress in mobilizing offshore lines of credit, having re-established trading arrangements with major regional development banking partners. As at 31 December, 2018 a \$30 million line of credit with the African Export-Import Bank (Afreximbank) was partially drawn down.

The Group established a Diaspora Banking unit during the year following extensive market research and this has generated interest from major source markets. The unit has already started producing transaction flows for the products offered by the Group.

Following on-going reviews of its network, the Group opened a branch in Glendale during the third quarter of 2018, in response to demands from its customers in that area. On the other hand, branch refurbishments continued at a slower pace due to cost escalations experienced. A new-look Mutare branch, providing a refreshed banking experience, was opened during the first quarter of 2018.

In responding to the pressure exerted on its systems due to increased electronic transactions and the demands for improved security, the Group continued to make investments into its systems at application, hardware and communication level in order to enhance overall system performance and service delivery. A total commitment of \$5.4 million was made in this regard in 2018.

Internal stakeholders

The Group is committed to improving the quality of service provided to its varied clients. This commitment is achieved through a highly skilled and engaged staff. To this end, all Group management and staff were taken through Customer Care Clinics and Soft Skills workshops in order to improve the quality of both internal and external engagements. Furthermore, Wellness Clinics, addressing physical health and fitness, state of the mind, and financial health were conducted for all members.

A total of 138 staff development training programs were attended by 1 462 staff members during the course of 2018.

The Group maintained cordial relations with staff.

A total of 1046 staff members were employed as at 31 December, 2018 comprising of 640 permanent employees, with the balance being fixed term contract employees, graduate trainees and students on attachment.

Operations outlook

In order to achieve the full benefit from technology in engendering greater efficiencies and respond to the evolving customer demands, the Group will continue to digitalise its operations. Significant investment in this area is therefore expected over the next five years.

Acknowledgements

I would like to thank our valued customers for their continued support.

I would also like to express my gratitude to the Board, management and staff for their efforts during the year.

R. Mutandagayi
Group Chief Executive Officer
29 April 2019



AUDITOR'S STATEMENT

These condensed financial results should be read in conjunction with the complete set of financial statements of ZB Financial Holdings Limited ("ZBFHL") for the financial year ended 31 December 2018, which have been audited by **Deloitte & Touche and an adverse opinion issued thereon**. The basis for the adverse opinion pertains to non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates". In addition, the auditor's report also carries key audit matters ("KAMs") outlining areas of the audit process that required significant attention of the auditor. These included revenue recognition and the automated nature of interest calculations, valuation of expected credit losses on financial assets, adequacy of insurance provisions – incurred but not reported (IBNR) provisions and life assurance liabilities, and the issue in respect of the protracted dispute between ZBFHL and Transnational Holdings Limited ("THL") relating to the ownership of Intermarket Holdings Limited ("IHL"). The auditor's report is available for inspection at the Company's registered address.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2018

Notes	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
ASSETS		
Cash and cash equivalents	143 869 250	106 816 218
Money market investments	10 714 886	3 538 998
Treasury bills	194 347 351	155 945 191
Mortgages and other advances	121 907 358	104 970 338
Investment securities	56 513 232	36 713 113
Investments in associates	36 145 227	35 492 476
Inventories, trade and other receivables	12 050 329	12 823 409
Investment properties	33 323 232	29 971 963
Right of use assets	6 405 194	-
Property and equipment	36 980 940	32 853 658
Intangible assets	10 938 773	6 599 837
Total assets	663 195 772	525 725 201
LIABILITIES		
Deposits and other accounts	433 006 499	347 105 859
Trade and other payables	41 480 900	30 134 215
Current tax liabilities	134 611	23 217
Deferred tax liabilities	3 611 132	2 936 466
Operating lease liability	6 561 587	-
Long term borrowings	14 640 035	13 942 891
Life assurance funds	37 439 715	31 811 327
Offshore borrowings	5 947 347	-
Total liabilities	542 821 826	425 953 975
EQUITY		
Share capital	1 751 906	1 751 906
Share premium	27 081 696	27 081 696
Other components of equity	24 174 887	20 290 273
Retained income	45 103 526	29 525 484
Attributable to equity holders of parent	98 112 015	78 649 359
Non-controlling interests	22 261 931	21 121 867
Total equity	120 373 946	99 771 226
Total equity and liabilities	663 195 772	525 725 201

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

Notes	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Interest and related income	30 572 053	24 819 751
Interest and related expenses	(6 558 816)	(7 012 669)
Net interest and related income	24 013 237	17 807 082
Loan impairment charges, net recoveries	(4 920 365)	(2 995 395)
Net income from lending activities	19 092 872	14 811 687
Gross insurance premium income	32 787 829	30 797 523
Total insurance expenses	(22 843 786)	(21 213 596)
Net insurance premium income	9 944 043	9 583 927
Other operating income	45 238 306	41 826 495
Fair value adjustments	9 252 042	2 729 629
Total income	83 527 263	68 951 738
Operating expenses	(56 196 319)	(50 937 631)
Profit from ordinary activities	27 330 944	18 014 107
Movement in life assurance funds	(5 628 388)	(3 561 431)
Share of associate companies' profit net of tax	2 240 285	3 036 154
Profit before taxation	23 942 841	17 488 830
Income tax expense	(2 153 379)	(3 337 365)
Net profit for the year	21 789 462	14 151 465
Profit attributable to:		
Owners of parent	19 717 014	13 053 305
Non-controlling interests	2 072 448	1 098 160
Profit for the year	21 789 462	14 151 465
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Gains on property and equipment revaluation	5 088 708	217 483
Fair value adjustment on assets at FVTOCI	595 437	(2 150 649)
Income tax relating to components of other comprehensive income	(1 450 723)	524 575
Other comprehensive loss for the year net of tax	4 233 422	(1 408 591)
Total comprehensive income for the year	26 022 884	12 742 874
Total comprehensive income attributable to:		
Owners of parent	23 799 970	11 598 506
Non-controlling interests	2 222 914	1 144 368
Total comprehensive income for the year	26 022 884	12 742 874
Earnings per share		
Basic and fully diluted earnings per share (US cents)	12.52	8.29

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital US\$	Share premium US\$	General reserve US\$	Property and equipment 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 1 January 2017	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 year	-	-	-	-	-	13 053 305	13 053 305	1 098 160	14 151 465
- As previously stated	-	-	-	-	-	14 414 613	14 414 613	1 098 160	15 512 773
- Prior year adjustments	-	-	-	-	-	(1 361 308)	(1 361 308)	-	(1 361 308)
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	142 058	-	-	142 058	46 208	188 266
Fair value loss on financial assets at FVOCI	-	-	-	-	(1 596 857)	-	(1 596 857)	-	(1 596 857)
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(1 982 253)	(1 982 253)	(422 893)	(2 405 146)
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(267 827)	-	-	259 630	(8 197)	8 197	-
Transfer to retained income	-	-	543 159	(433 582)	-	(214 484)	(104 967)	104 967	-
Balance at 31 December 2017	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	29 525 484	78 649 359	21 121 867	99 771 226
Changes in initial application of IFRS9	-	-	-	-	-	(2 225 855)	(2 225 855)	(17 323)	(2 243 178)
Changes on initial application of IFRS16	-	-	-	-	-	(135 710)	(135 710)	(4 544)	(140 254)
Restated balance at 1 January 2018	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	27 163 919	76 287 794	21 100 000	97 387 794
Changes in equity for 2018									
Profit or loss									
Profit for the year	-	-	-	-	-	19 717 014	19 717 014	2 072 448	21 789 462
Other comprehensive income, net of tax									
Revaluation of property and equipment	-	-	-	3 640 844	-	-	3 640 844	150 466	3 791 310
Fair value gain on financial assets at FVOCI	-	-	-	-	442 112	-	442 112	-	442 112
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(2 882 669)	(2 882 669)	(154 063)	(3 036 732)
Other movements	-	-	-	-	-	-	-	-	-
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(15 653)	-	-	26 559	10 906	(10 906)	-
Transfer to retained income	-	-	-	(182 689)	-	1 078 703	896 014	(896 014)	-
Balance at 31 December 2018	1 751 906	27 081 696	5 870 251	15 454 177	2 850 459	45 103 526	98 112 015	22 261 931	120 373 946

CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Cash generated from operating activities	39 678 560	30 622 416
Interest and related income received	30 572 053	24 819 751
Dividends received	1 944 996	58 163
Interest and related expense paid	(6 558 816)	(7 012 669)
Interest expense on operating lease liability	(596 508)	-
Income tax paid	(1 371 523)	(2 179 347)
Net cash generated from operating activities	63 668 762	46 308 314
Cash flows from investing activities		
Purchase of investment property	(645 575)	(2 387 587)
Purchase of intangible assets	(3 276 535)	(1 070 337)
Purchase of property and equipment	(5 603 881)	(2 694 372)
Proceeds on disposal of property and equipment	60 252	97 838
Purchase of investment securities	(30 260 900)	(18 002 397)
Proceeds on disposal of investment securities	16 882 398	5 330 988
Additions of investment in associate	-	(91 147)
Net cash used in investing activities	(22 844 241)	(18 817 014)
Cash flows from financing activities		
Dividends paid	(3 036 732)	(2 405 146)
Net cash used in financing activities	(3 036 732)	(2 405 146)
Net increase in cash and cash equivalents	37 787 789	25 086 154
Cash and cash equivalents at beginning of year	106 816 218	82 193 499
Effects of exchange rates fluctuating on cash and cash equivalents	(734 757)	(463 435)
Cash and cash equivalents at end of year	143 869 250	106 816 218
Cash and cash equivalents comprise:		
Cash	9 205 116	5 486 823
Local bank accounts	131 340 832	99 365 120
Foreign bank accounts	3 323 302	1 964 275
	143 869 250	106 816 218

1. BASIS OF PREPARATION

1.1 Reporting currency

The financial statements of the Group are presented in United States dollars (US\$), which was the Group's functional currency as at the reporting date. All information presented has been rounded off to the nearest dollar.

Following the adoption of the multi-currency system in January 2009, all local notes in issue and balances transacted through local payment platforms were rated at par with the US\$. The exchange of these balances against external obligations was done through an allocation system which was controlled by the Reserve Bank of Zimbabwe and delays were often experienced due to competing demands whilst substantially higher rates obtained in the alternative markets and became the basis for a multi-tier pricing regime that became pervasive in the Zimbabwean economy.

The reported financial statements are subject to volatility depending on the exchange rate scenarios presumed between the local currency base and the other foreign currencies at the reporting date.

Adoption of the US\$ as the functional and reporting currency was done to comply with with local laws and regulations, particularly Statutory Instrument 33 of 2019 and guidance in relation to the subject issued by the Public Accountants and Auditors Board (PAAB) on 21 March, 2019.

Consequently, the Group's financial statements at 31 December 2018 do not fully comply with International Financial Reporting Standards (IFRSs), particularly IAS 21 "The Effect of Changes in Foreign Exchange Rates." Apart from the non compliance noted above, the financial statements have been compiled adopting principles from International Financial Reporting Standards, 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 in all other respects.

1.2 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.

1.3 Key sources of judgement and estimation uncertainty

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

1.4 Changes in accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

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

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

1.4.1 Implications of the adoption of IFRS 9

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

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

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

Detailed notes relating to the application of IFRS 9 are provided in the detailed financial statements.

1.4.2 Transition disclosures

The following notes set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

1.4.2.1 Classification and measurement of financial instruments

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

	IAS 39		IFRS 9		Carrying Amount as at 1 Jan 2018 US\$
	Classification & Measurement	Carrying Amount as at 31 Dec 2017 US\$	Reclassifications US\$	Remeasurements US\$	
Financial Assets					
CASH AND CASH EQUIVALENTS					
Balances with the Reserve Bank of Zimbabwe	AMCO (L&R)	64 809 565	-	-	64 809 564
Balance with other banks, nostro accounts and cash	AMCO (L&R)	9 006 653	-	-	9 006 653
Total cash and cash equivalents		73 816 218	-	-	73 816 218
MONEY MARKET INVESTMENTS					
Money market investments	AMCO (L&R)	33 000 000	-	-	33 000 000
TREASURY BILLS					
Short term treasury bills issued by the RBZ	FVTPL	11 428 236	-	-	11 428 236
Medium term treasury bills acquired from the market	AFS	105 694 046	-	-	105 694 046
Treasury bills issued as substitution-for debt instruments (ZAMCO treasury bills)	AMCO (L&R)	23 485 728	-	-	23 485 728
Capitalisation treasury bills		15 337 181	-	AMCO	15 337 181
		155 945 191	-	-	155 945 191
On Balance Sheet					
Loans and advances					
Loans, overdrafts and other advances	AMCO (L&R)	93 635 083	-	-	93 635 083
Mortgage loans	AMCO (L&R)	16 898 535	-	-	16 898 535
Finance leases	AMCO (L&R)	2 841 087	-	-	2 841 087
Bills discounted	AMCO (L&R)	1 399 977	-	-	1 399 977
Gross advances		114 774 682	-	-	114 774 682
Allowances for loan impairment Interest reserved		(7 616 804)	-	(5 877 237)	(13 494 041)
		(2 187 540)	-	2 187 540	-
Net advances		104 970 338	-	(3 689 697)	101 280 641
Contingent assets					
Loans, overdrafts and other advances (loan commitments)		-	-	11 555 851	11 555 850
Provisions (loan commitment)		-	-	(816 200)	(816 200)
Guarantees	AMCO (L&R)	13 565 238	-	-	13 565 238
Provisions (Guarantees)		-	-	(592 613)	(592 613)
Gross contingent assets		13 565 238	-	10 147 038	23 712 276
Gross credit exposures		128 339 920	-	10 147 038	138 486 958
Investment securities					
Unlisted equity	FVTPL	4 752 206	-	-	4 752 206
Listed equity	FVTPL (Held for Trading)	14 638 578	-	-	14 638 578
Unit Trusts	FVTPL (Held for Trading)	576 360	-	-	576 360
Government and public utilities stock	FVTPL	11 457 376	-	-	11 457 376
Group balances (embargoed funds)	AMCO (L&R)	4 362 818	-	-	4 362 818
Debentures	AMCO (L&R)	925 775	-	-	925 775
		36 713 113	-	-	36 713 113
Trade and other receivables					
Accrued interest	AMCO (L&R)	270 984	-	-	270 984
Remittances in transit	AMCO (L&R)	1 862 473	-	-	1 862 473
Advance payments and sundry assets	AMCO(L&R)	6 998 920	-	-	6 998 920
Sundry receivables	AMCO (L&R)	2 744 376	-	-	2 744 376
		11 876 753	-	-	11 876 753
FINANCIAL LIABILITIES					
Liabilities					
Deposits from customers	AMCO	347 105 859	-	-	347 105 859
Trade and other payables	AMCO	12 314 531	-	-	12 314 531
Current tax liabilities	AMCO	23 217	-	-	23 217
		359 443 607	-	-	359 443 607

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

1.4.2.2 Reconciliation of impairment allowance from IAS 39 to IFRS 9

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

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9:

Measurement category	Loan loss allowance under IAS 39 as at 31 Dec 2017 US\$	Reclassification US\$	Remeasurement US\$	Loss allowance under IFRS 9 as at 1 Jan 2018 US\$
Loans and receivables (IAS 39)/ Financial assets at amortised Cost (IFRS 9)				
Advances and other accounts	7 616 804	-	4 461 994	12 078 798
Investments securities held at amortised cost	-	-	6 430	6 430
Loan commitments and financial Guarantees	-	-	816 200	816 200
Loan commitments Guarantees	-	-	592 613	592 613
Total	7 616 804	-	5 877 237	13 494 041

1.4.2.3 The impact of transition to IFRS 9, adoption of IFRS 16 and prior adjustments on reserves, retained earnings, total liabilities and total assets

	US\$
Changes in Total Equity	
As previously stated at 31 December 2017	101 132 534
Prior year adjustment	(1 361 308)
Restated balance at 1 Jan 2018	99 771 226
Recognition of IFRS 9 Expected credit losses (ECL)	(5 877 237)
Reversal of interest in reserve	2 187 540
Relate deferred tax	1 446 519
Adoption of IFRS 16	(140 254)
Opening balance at 1 January 2018	97 387 794
Changes in Retained Income	
As previously stated at 31 December 2017	30 886 762
Prior year adjustment	(1 361 308)
Restated balance at 1 Jan 2018	29 525 454
Recognition of IFRS 9 Expected credit losses (ECL)	(5 859 884)
Reversal of interest in reserve	2 187 540
Related deferred tax	1 446 519
Adoption of IFRS 16	(135 710)
Opening balance at 1 January 2018	27 163 919
Changes in Total Liabilities	
Balance as at 31 December 2017	425 953 975
Related deferred tax from recognition of IFRS 9	(1 446 519)
Adoption of IFRS 16	7 926 856
Opening balance at 1 January 2018	432 434 312
Changes in Total Assets	
As previously stated at 31 December 2017	527 086 509
Prior year adjustment	(1 361 308)
Restated balance at 1 Jan 2018	525 725 201
Recognition of IFRS 9 Expected credit losses (ECL)	(5 877 237)
Reversal of interest in reserve	2 187 540
Adoption of IFRS 16	7 786 602
Opening balance at 1 January 2018	529 822 106

Prior year figures were adjusted in respect of an income overstatement arising from a dividend amount of US\$1 701 635 that was intimated in error from a foreign investment representing accumulations between 2008 and 2016, a period during which the Group was included on the list of specified persons by the United States of America Treasury Department's Office of Foreign Accounts Control (OFAC).

2. SEGMENT INFORMATION

31 December 2018

	Banking operations US\$	Insurance operations US\$	Other strategic investments ¹ US\$	Total US\$
External revenue				
Net earnings from lending activities	17 875 142	1 217 730	-	19 092 872
Net fees and commission income	39 460 110	9 972 109	467 717	49 899 936
Other revenue	8 462 272	7 980 835	(1 908 652)	14 534 455
Total segment revenue	65 797 524	19 170 674	(1 440 935)	83 527 263
Other material non-cash items:				
Depreciation	2 905 173	205 387	137 069	3 247 629
Amortisation of intangible assets	1 918 867	-	23 939	1 942 806
Fair value adjustments	3 003 784	5 083 299	1 164 949	9 252 042
Reportable segment profit before taxation	16 536 157	5 012 713	2 393 971	23 942 841
Reportable segment assets as at 31 December 2018	595 138 289	80 443 755	(12 386 272)	663 195 772
Reportable segment liabilities as at 31 December 2018	493 227 404	49 394 490	199 932	542 821 826

¹Includes consolidation journals.

Restated 31 December 2017

	Banking operations US\$	Insurance operations US\$	Other strategic investments ¹ US\$	Total US\$
External revenue				
Net earnings from lending activities	14 022 573	789 114	-	14 811 687
Net fees and commission income	37 434 349	9 606 908	340 247	47 381 504
Other revenue	3 585 291	(2 835 246)	6 008 502	6 758 547
Total segment revenue	55 042 213	7 560 776	6 348 749	68 951 738
Other material non-cash items:				
Depreciation	2 149 407	163 819	161 045	2 474 271
Amortisation of intangible assets	2 426 469	-	25 860	2 452 329
Fair value adjustments	1 033 724	1 940 541	(244 636)	2 729 629
Reportable segment profit before taxation	12 751 947	2 266 206	2 470 677	17 488 830
Reportable segment assets as at 31 December 2017	496 075 695	65 848 053	(36 198 547)	525 725 201
Reportable segment liabilities as at 31 December 2017	405 158 975	38 852 994	(18 057 994)	425 953 975

¹Includes consolidation journals.

3. TREASURY BILLS

3(a) Balances on the Statements of Financial Position

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

- as "at fair value through profit or loss" (FVTPL);
- as "at fair value through other comprehensive income" (FVTOCI); and
- as at amortised cost (AMCO)



	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
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Treasury bills include:

Assets classified as 'at fair value through profit or loss':		
Short term treasury bills	22 747 733	11 428 236
Assets classified as 'at fair value through other comprehensive income':		
Medium term treasury bills acquired from the market	134 768 528	105 694 046
Assets classified as 'at amortised cost':		
Treasury bills issued as substitution for debt instruments	20 727 050	23 485 728
Capitalisation treasury bills	16 104 040	15 337 181
	194 347 351	155 945 191

- The Group invested in treasury bills issued by the RBZ over a period of 3 months to 24 months at rates ranging from 7% to 9.875%.
- The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 0% to 5% with maturity periods ranging from 1 month to 3 years.
- The Group received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have a coupon rate of 5% and maturity periods ranging from 1 month to 14 years.
- 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.

Impairment assessment

Treasury bills classified and measured at amortised cost are assessed for impairment annually. There was no objective evidence at 31 December 2018 to suggest that future cash flows on the treasury bills portfolio could end up being less than anticipated at the point of initial recognition. Consequently, no impairment adjustment arose from the assessment.

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
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3(b) Contingent assets

In respect of treasury bills held in trust on behalf of clients	38 595	1 573 494
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The Group holds 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 Reserve Bank of Zimbabwe (Debt Assumption) Act 2015, treasury bills were issued in respect of the capital portion only of the balances held at the Reserve Bank. The Group received treasury bills amounting to US\$6.8 million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US\$6.796 million (2017: US\$5.2 million) of these treasury bills had been passed on to customers as at 31 December 2018. These treasury bills have been accounted for as off balance sheet assets as at 31 December 2018 as the Group is holding them on behalf of customers.

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
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4. MORTGAGES AND OTHER ADVANCES

4.1 Gross loan book

Mortgage advances	21 282 838	16 898 535
Other advances:		
Loans, overdraft and other accounts	100 058 570	89 011 450
Finance leases	7 081 950	2 841 087
Bills discounted	1 176 573	1 399 977
Insurance advances	6 596 823	4 623 633
Total other advances	114 913 916	97 876 147
Gross advances	136 196 754	114 774 682
Off balance sheet exposures		
In respect of guarantees	16 038 026	13 565 238
Gross credit exposure	152 234 780	128 339 920
Gross advances	136 196 754	114 774 682
Less: Allowance for loan impairments	(14 289 396)	(7 616 804)
Less: interest reserved	-	(2 187 540)
Net advances	121 907 358	104 970 338
4.2 Maturity analysis		
On demand	32 774 092	34 670 224
Within 1 month	2 948 507	1 460 597
Between 1 and 6 months	13 855 323	14 503 331
Between 6 and 12 months	26 905 024	30 890 710
After 12 months	75 751 834	46 815 058
	152 234 780	128 339 920
4.3 Non-performing loans		
Included in the above are the following:		
Non-performing loans	6 950 793	13 693 570
Less: Allowance for loan impairments	(3 282 792)	(7 616 804)
Less: Interest reserved	-	(2 187 540)
Value to be received from security held	3 668 001	3 889 226

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\$6 750 809 as at 31 December 2018 (2017: US\$21 586 351).

Non performing loans with a net carrying value of US\$9 599 374 were transferred to a Special Purpose Vehicle called Credsaver (Private) Limited (Credsaver) on 31 December 2016, in a transaction that did not meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Group. The Group plans to offer the Credsaver pool of assets as a "block" to interested investors upon which the assets will meet conditions for derecognition from the statement of financial position. In the meantime, recovery efforts continue with any recoveries resulting in the adjustment of the net exposure to the Group.

As at 31 December 2018, the carrying value of these assets stood at US\$5 277 307 with a security value of US\$6 663 045, thus implying a security coverage of 126%.

	31 Dec 2018 US\$	As a % of Total	Restated 31 Dec 2017 US\$	As a % of Total
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4.4 Sectorial analysis

Gross advances:				
Private	67 044 699	44%	45 952 412	36%
Agriculture	12 160 829	8%	12 748 770	10%
Mining	6 274 389	4%	669 365	1%
Manufacturing	4 946 163	3%	8 333 870	6%
Distribution	6 457 317	4%	6 656 510	5%
Construction	4 777 856	3%	1 900 415	1%
Transport	3 446 859	2%	3 473 088	3%
Services	20 786 608	14%	24 364 259	19%
Financial	10 024 009	7%	10 033 271	8%
Communication	278 025	0%	642 722	1%
	136 196 754	89%	114 774 682	90%
Guarantees:				
Manufacturing	11 910 000	8%	11 905 000	9%
Distribution	30 000	0%	605 609	0%
Construction	437 485	0%	193 486	0%
Transport	-	0%	6 000	0%
Services	3 660 541	2%	849 143	1%
Communication	-	0%	6 000	0%
	16 038 026	11%	13 565 238	10%
Total credit exposure	152 234 780	100%	128 339 920	100%

4.5 Mortgage advances

Mortgage advances were spread as follows:

	31 Dec 2018 US\$	As a % of Total	Restated 31 Dec 2017 US\$	As a % of Total
Type of property:-				
High density	1 465 018	7%	1 036 570	6%
Medium density	2 852 072	13%	2 575 947	15%
Low density	11 114 184	52%	7 918 008	47%
Commercial	5 851 564	27%	5 368 010	32%
	21 282 838	100%	16 898 535	100%

4.6 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:

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Gross investment in finance leases:		
Less than 1 year	496 894	816 012
Between 1 and 5 years	7 750 946	2 349 113
Gross investment in finance leases	8 247 840	3 165 125
Unearned finance charges	(1 165 890)	(324 038)
Net investment in finance leases	7 081 950	2 841 087
Less than 1 year	471 507	780 903
Between 1 and 5 years	6 610 443	2 060 184
	7 081 950	2 841 087

5. INVESTMENT PROPERTIES

Made up as follows:
Land stock held for capital appreciation and completed properties available for lease:

- Residential	10 796 532	10 020 205
- Commercial	20 546 700	18 801 758
- Industrial	1 980 000	1 150 000
Balance at end of year	33 323 232	29 971 963

5.2 Reconciliation of carrying amount

Balance at beginning of year	29 971 963	26 728 848
Additions	645 575	2 387 587
Transfer to inventories	(624 000)	-
Reclassification from non-current assets held for sale	-	1 137 900
Fair value adjustment	3 329 694	(282 372)
Balance at end of year	33 323 232	29 971 963

6. RIGHT OF USE ASSETS

Initial adoption of IFRS 16	7 786 602	-
Depreciation charge	(1 381 408)	-
Balance at year end	6 405 194	-

	Freehold properties US\$	Leasehold improvements US\$	Equipment furniture & fittings US\$	Computer equipment US\$	Marine assets and motor vehicles US\$	Capital work in progress US\$	Total US\$
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7. PROPERTY AND EQUIPMENT

Cost or valuation

Balance at 1 January 2018	22 338 396	6 898 589	6 147 540	10 072 703	5 664 226	-	51 121 454
Surplus on revaluation	(259 771)	48 269	274 992	1 749 701	265 568	-	2 078 759
Additions	-	104 530	209 727	2 073 590	2 506 689	709 345	5 603 881
Disposals	-	(2 664)	(368 876)	(400 441)	(259 962)	-	(1 031 943)
Transfers between categories	-	261 028	85 075	5 922	-	(352 025)	-
Balance at 31 December 2018	22 078 625	7 309 752	6 348 458	13 501 475	8 176 521	357 320	57 772 151

Accumulated depreciation

Balance at 1 January 2018	498 694	3 638 937	3 453 211	6 501 274	4 175 680	-	18 267 796
Recognised in statement of profit or loss	4 929	618 744	531 367	1 560 648	531 941	-	3 247 629
Disposals	-	-	(282 314)	(352 860)	(233 965)	-	(869 139)
Impairment	-	57 517	75 129	12 279	-	-	144 925
Balance at 31 December 2018	503 623	4 315 198	3 777 393	7 721 341	4 473 656	-	20 791 211

Carrying value

at 31 December 2018	21 575 002	2 994 554	2 571 065	5 780 134	3 702 865	357 320	36 980 940
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Carrying value

at 31 December 2017	21 839 702	3 259 652	2 694 329	3 571 429	1 488 546	-	32 853 658
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	Freehold properties US\$	Leasehold improvements US\$	Equipment furniture & fittings US\$	Computer equipment US\$	Marine assets and motor vehicles US\$	Total US\$
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Cost or valuation

Balance at 1 January 2017	22 209 312	6 747 110	5 922 753	8 130 936	5 661 023	48 671 134
Surplus on revaluation	129 084	-	-	-	88 399	217 483
Additions	-	151 479	267 591	1 960 465	314 837	2 694 372
Disposals	-	(42 804)	(18 698)	(400 033)	(461 535)	(943 070)
Balance at 31 December 2017	22 338 396	6 898 589	6 147 540	10 072 703	5 664 226	51 121 454

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 statement of profit or loss	4 184	595 011	541 902	958 652	374 522	2 474 271
Disposals	-	-	(29 466)	(15 625)	(359 727)	(404 818)
Balance at 31 December 2017	498 694	3 638 937	3 453 211	6 501 274	4 175 680	18 267 796

Restated carrying value at 31 December 2017

21 839 702	3 259 652	2 694 329	3 571 429	1 488 546	32 853 658
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Carrying value at 31 December 2016

21 714 802	3 553 998	2 915 416	2 572 689	1 500 138	32 257 043
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	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
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8. INTANGIBLE ASSETS

Computer software		
Balance at the beginning of the year	6 599 837	7 981 829
Additions at cost	3 276 535	1 070 337
Revaluation	3 009 949	-
Amortisation	(1 942 806)	(2 452 329)
Impairment	(4 742)	-
Balance at end of year	10 938 773	6 599 837

9. DEPOSITS AND OTHER ACCOUNTS

9.1 Summary of deposits by type

Balances of banks	14 782 338	13 204 876
Current accounts	83 328 068	53 674 201
Savings and call accounts	218 078 485	154 062 830
Fixed deposits	116 817 608	124 637 626
Agro-bills	-	1 526 326
	433 006 499	347 105 859

9.2 Maturity analysis

On demand	293 077 348	204 471 996
Within 1 month	66 500 949	74 799 158
Between 1 and 6 months	58 432 600	47 814 346
Between 6 and 12 months	4 229 760	9 548 216
After 12 months	10 765 842	10 472 143
	433 006 499	347 105 859



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	31 Dec 2018 US\$	%	Restated 31 Dec 2017 US\$	%
9.3 Deposit concentration				
Private individuals	70 324 261	16%	66 917 207	19%
Agriculture	29 991 967	7%	11 494 136	3%
Mining	2 293 046	1%	1 185 693	0%
Manufacturing	44 042 584	10%	44 319 480	13%
Distribution	11 154 236	3%	10 721 119	3%
Construction	4 758 353	1%	6 125 661	2%
Transport	3 943 394	1%	1 574 764	0%
Services	154 186 881	36%	92 350 640	27%
Financial	56 225 344	13%	66 254 215	19%
Communication	56 086 433	13%	46 162 944	13%
	433 006 499	100%	347 105 859	100%

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
10. OPERATING LEASE LIABILITY		
Initial adoption of IFRS 16	7 926 856	-
Interest expense	596 508	-
Lease payments	(1 961 777)	-
Balance at year end	6 561 587	-

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
11. LONG TERM BORROWINGS		
Comprising of:		
Face value of loan	20 000 000	20 000 000
Valuation discount	(5 359 965)	(6 057 109)
Balance at end of year	14 640 035	13 942 891
Valuation discount:		
Balance at beginning of the year	6 057 109	6 463 213
Amortisation during the year	(697 144)	(406 104)
Balance at end of year	5 359 965	6 057 109

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
12. LIFE ASSURANCE FUNDS		
Life fund liabilities are supported by the following net assets:		
Listed equities	12 042 091	5 992 857
Unlisted equities	2 704 018	2 624 140
Gold fund	375 479	398 440
Government and public utilities stock	4 265 322	3 919 339
Investment properties	1 482 960	1 315 752
Funds on deposit	5 331 440	5 582 193
Equity accounted investments	11 776 387	11 550 053
Trade and other receivables	246 941	935 891
Gross assets	38 224 638	32 318 665
Less: Deferred tax liabilities	(281 692)	(171 682)
Trade and other payables	(468 833)	(296 117)
Income tax payable	(34 398)	(39 539)
Net assets	37 439 715	31 811 327

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

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
13. INTEREST AND RELATED INCOME		
Interest and related income comprises interest on:		
Advances	7 027 483	6 987 227
Mortgages	1 912 765	1 703 189
Overdraft accounts	749 880	1 561 749
Trading income	16 029 812	12 955 344
Cash and short-term funds	135 647	544 963
Loans to other banks	886 250	484 588
Other	3 830 216	582 691
Total interest and related income	30 572 053	24 819 751

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
14. INTEREST AND RELATED EXPENSES		
Interest and related expenses comprise interest on:		
Retail deposits	890 552	604 482
Fixed deposits	4 486 646	5 724 659
Other interest payable categories	1 181 618	683 528
Total interest and related expenses	6 558 816	7 012 669
Net interest and related income	24 013 237	17 807 082

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
15. ANALYSIS OF NET IMPAIRMENT MOVEMENT POSTED IN THE STATEMENT OF PROFIT OR LOSS		
Loans and advances	(6 091 086)	(3 180 434)
Insurance debtors	394 943	(382 919)
Loans and other advances	(5 696 143)	(3 563 353)
Other financial assets	(116 725)	-
Guarantees	361 246	-
Loan commitments	301 233	-
Net recoveries against loans previously written off	(3 255 521)	(2 062 788)
Write offs against provision	3 485 545	2 630 746
	(4 920 365)	(2 995 395)

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
16. OPERATING EXPENSES		
Commissions and fees	1 958 700	1 692 986
Staff expenses	24 964 120	21 862 204
Communication expenses	1 146 059	884 926
National Social Security Authority expenses	462 805	376 164
Pension fund expenses	1 261 033	1 249 095
Computers and information technology expenses	2 742 340	2 198 757
Occupation expenses	2 788 827	4 226 235
Transport expenses	1 011 669	999 873
Travelling expenses	764 282	611 688
Depreciation of property and equipment	3 247 629	2 474 271
Amortisation of intangible assets	1 942 806	2 452 329
Depreciation of right of use asset	1 381 408	-
Finance cost on operating lease liabilities	596 508	-
Impairment of property and equipment	144 925	-
Impairment of intangible assets	4 742	-
Administration expenses	11 359 242	11 434 114
Directors fees	419 224	474 989
	56 196 319	50 937 631

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
17. CONTINGENT LIABILITIES		
17.1 Contingent liabilities		
In respect of treasury bills held in trust on behalf of customers	38 595	1 573 464
In respect of guarantees	16 038 026	13 565 238
	16 076 621	15 138 702

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

In May 2016, the Government of Zimbabwe, then a significant shareholder in the Company, brokered a resolution framework in which it ceded part of its shareholding on the understanding that the Company would allocate another parcel of shares to THL. The latter proposal was rejected by the Shareholders resulting in the need for an alternative resolution framework to be developed.

A resolution framework including the possible unbundling of the contentious assets remains a possibility. Should that be the preferred route this could lead to considerations to account for the contentious assets in terms of International Financial Reporting Standard ("IFRS") 5 - Non-current Assets Held for Sale and Discontinued Operations. Through a series of technical consultations, management are satisfied that as at the reporting date, any proposed means of resolving the matter had not triggered the requirements of IFRS 5 hence the financial results of IHL and its subsidiaries were fully consolidated in the Group's financial results up to and at 31 December, 2018.

18. EARNINGS PER SHARE

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted profit per share for the period ended 31 December 2018 of US12.52 cents (Restated 2017: US8.29 cents) is based on the attributable profit after tax of US\$19 717 014 (Restated 2017: US\$13 053 305) and weighted average number of shares of 157 522 902 (2017: 157 522 902).

19. RISK MANAGEMENT

19.1 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 target is to maintain operating assets at a level that is lower than the available operating funds at all times in order to restrict the demand on shareholders' equity for operational funding. This objective was met during the course of the period under review. Gearing was maintained at above 18% and this is due to the borrowing made in 2015 with a maturity value of \$20 million in 2025.

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.

19.2 Financial risk management

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

Fair values and risk management - accounting classification and fair values

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

31 December 2018	CARRYING AMOUNT				FAIR VALUE			
	Designated at fair value	Designated at AMCO	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets measured at fair value								
Equity securities	23 314 962	-	-	23 314 962	23 314 962	-	-	23 314 962
Government public utility stock	21 361 580	-	-	21 361 580	-	-	21 361 580	21 361 580
Unit trusts	543 145	-	-	543 145	-	543 145	-	543 145
Unlisted equity investments	7 839 210	-	-	7 839 210	-	-	7 839 210	7 839 210
Treasury bills	157 516 261	-	-	157 516 261	-	22 747 733	134 768 528	157 516 261
Total	210 575 158	-	-	210 575 158				
Financial assets not measured at fair value								
Trade and other receivables	-	2 510 497	-	2 510 497	-	-	-	2 510 497
Treasury bills	-	36 831 090	-	36 831 090	-	-	-	36 831 090
Cash and cash equivalents	-	143 869 250	-	143 869 250	-	-	-	143 869 250
Total	-	183 210 837	-	183 210 837				
Financial liabilities not measured at fair value								
Deposits and other accounts	(433 006 499)	-	-	(433 006 499)	-	-	-	(433 006 499)
Trade and other payables	-	-	(13 904 205)	(13 904 205)	-	-	-	(13 904 205)
Total	(433 006 499)	-	(13 904 205)	(446 910 704)				

Restated 31 December 2017	CARRYING AMOUNT				FAIR VALUE			
	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets measured at fair value								
Equity securities	14 638 578	-	-	14 638 578	14 638 578	-	-	14 638 578
Government public utility stock	12 383 151	-	-	12 383 151	-	-	12 383 151	12 383 151
Unit trusts	576 360	-	-	576 360	-	576 360	-	576 360
Unlisted equity investments	4 752 206	-	-	4 752 206	-	-	4 752 206	4 752 206
Treasury bills	117 122 282	-	-	117 122 282	-	11 428 237	105 694 045	117 122 282
Total	149 472 577	-	-	149 472 577				
Financial assets not measured at fair value								
Trade and other receivables	-	1 862 474	-	1 862 474	-	-	-	1 862 474
Treasury bills	-	38 822 908	-	38 822 908	-	-	-	38 822 908
Cash and cash equivalents	-	106 816 218	-	106 816 218	-	-	-	106 816 218
Total	-	147 501 600	-	147 501 600				
Financial liabilities not measured at fair value								
Deposits and other accounts	(347 105 859)	-	-	(347 105 859)	-	-	-	(347 105 859)
Trade and other payables	-	-	(12 314 531)	(12 314 531)	-	-	-	(12 314 531)
Total	(347 105 859)	-	(12 314 531)	(359 420 390)				

Definition of financial risk

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

19.2.1 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 31 December 2018

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Gross nominal inflow/ (outflow)	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	61 438 478	37 245 889	45 788 114	-	144 472 481	143 869 250
Money market investments	10 469 886	50 000	-	200 000	10 719 886	10 714 886
Treasury bills	2 000 548	46 175 952	42 838 852	125 933 050	216 948 402	194 347 351
Mortgages and other advances	24 200 222	11 155 574	8 711 065	118 596 689	129 914 250	121 907 358
Investment securities	-	-	-	56 513 232	56 513 232	56 513 232
	98 109 134	94 627 415	97 338 031	268 493 671	558 568 251	527 352 077
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(357 801 492)	(64 162 992)	(3 932 777)	(7 959 107)	(433 856 368)	(433 006 499)
Trade and other payables	(16 364 121)	(7 908 837)	(1 540 106)	(15 667 836)	(41 480 900)	(41 480 900)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(14 640 035)
Offshore borrowings	-	-	-	(7 467 305)	(7 467 305)	(5 947 347)
	(37					



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Liquidity gap analysis as at 31 December 2017

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Gross nominal inflow/ (outflow)	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	100 798 225	9 500 000	-	-	110 298 225	106 816 218
Money market investments	1 190 356	2 638 554	-	-	3 828 910	3 538 998
Treasury bills	-	21 856 412	36 459 598	122 830 411	181 146 421	155 945 191
Mortgages and other advances	29 507 166	15 728 361	17 213 473	56 453 819	118 902 819	104 970 338
Investment securities	-	-	-	36 713 113	36 713 113	36 713 113
	131 495 747	49 723 327	53 673 071	215 997 343	450 889 488	407 983 858

FINANCIAL LIABILITIES BY TYPE:

Deposits and other accounts	(285 496 799)	(71 203 517)	(9 539 001)	(9 597 265)	(375 836 582)	(347 105 859)
Trade and other payables	(24 307 482)	(5 254 630)	(234 035)	(15 222 659)	(45 018 806)	(30 134 215)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(13 942 891)
	(309 804 281)	(76 458 147)	(9 773 036)	(44 819 924)	(440 855 388)	(391 182 965)

Period gap	(178 308 534)	(26 734 820)	43 900 035	171 177 419	10 034 100	16 800 893
Cumulative gap	(178 308 534)	(205 043 354)	(161 143 319)	10 034 100	-	-

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Liquidity risk		
Liquidity ratios		
Total liquid assets	348 931 486	266 300 407
Total liabilities to the public	433 006 499	347 105 859
Liquidity ratio	80.58%	76.72%
Average for the year	81%	70%
Maximum for the year	83%	72%
Minimum for the year	79%	64%
Minimum statutory liquidity ratio	30%	30%

19.2.2 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.

19.2.2.1 Interest rate risk

Interest rate gap analysis as at 31 December 2018

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Carrying amount
	US\$	US\$	US\$	US\$	US\$
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	143 869 250	-	-	-	143 869 250
Money market investments	10 664 886	50 000	-	-	10 714 886
Mortgages and other advances	24 195 602	10 895 617	8 365 827	78 450 312	122 907 358
Treasury bills	2 000 000	45 842 504	40 952 009	105 552 838	194 347 351
	180 729 738	56 788 121	49 317 836	184 003 150	470 838 845

FINANCIAL LIABILITIES BY TYPE

Deposits and other accounts	(363 547 230)	(63 714 517)	(3 903 505)	(1 841 247)	(433 006 499)
	(363 547 230)	(63 714 517)	(3 903 505)	(1 841 247)	(433 006 499)
Period gap	(182 817 492)	(6 926 396)	45 414 331	182 161 903	37 832 346
Cumulative gap	(182 817 492)	(189 743 888)	(144 329 557)	37 832 346	-

Interest rate gap analysis as at 31 December 2017

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Carrying amount
	US\$	US\$	US\$	US\$	US\$
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	37 902 953	-	-	-	37 902 953
Money market investments	3 438 998	100 000	-	-	3 538 998
Mortgages and other advances	29 344 050	14 329 186	16 054 809	45 242 293	104 970 338
Treasury bills	-	21 404 006	36 082 892	98 458 293	155 945 191
	70 686 001	35 833 192	52 137 701	143 700 586	302 357 480

FINANCIAL LIABILITIES BY TYPE

Deposits and other accounts	(257 843 360)	(70 786 624)	(9 530 059)	(8 945 816)	(347 105 859)
	(257 843 360)	(70 786 624)	(9 530 059)	(8 945 816)	(347 105 859)
Period gap	(187 157 359)	(34 953 432)	42 607 642	134 754 770	(44 748 379)
Cumulative gap	(187 157 359)	(222 110 791)	(179 503 149)	(44 748 379)	-

19.2.2.2 Foreign exchange risk

Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 31 December 2018 were as follows:

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Botswana pula	86 089	167 057
British pound	147 486	375 480
Malawian kwacha	474	474
Euro	691 478	638 200
South African rand	1 022 387	1 794 984
Zambian kwacha	303	359
Total assets	1 948 217	2 976 554
Botswana pula	(226 555)	(280 465)
British pound	(32 265)	(46 264)
Euro	(47 476)	(20 767)
South African rand	(1 304 418)	(2 897 397)
Total liabilities	(1 610 714)	(3 244 893)
	337 503	(268 339)

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

19.2.3 Credit risk

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

Internal rating grade

	STAGE 1 US\$	STAGE 2 US\$	STAGE 3 US\$	TOTAL US\$	2017 TOTAL PER IAS 39 US\$
Total loans and advances					
Guarantees	125 151 706	4 012 164	7 032 884	136 196 754	114 774 683
Loan commitments	16 038 026	-	-	16 038 026	13 565 238
Treasury bills	22 956 859	-	-	22 956 859	2 841 087
Insurance debtors	194 347 351	-	-	194 347 351	155 945 191
Other financial assets	5 336 107	-	1 260 716	6 596 823	4 623 633
Total financial assets	18 724 473	-	-	18 724 473	8 998 457
	382 554 522	4 012 164	8 293 600	394 860 285	300 748 289
Total loans and advances					
Performing					
Good (AAA to BBB-)	125 052 782	116 144	156 530	125 325 456	43 448 411
Special Mention (BB+ to CCC-)	98 924	3 896 020	7 466	4 002 410	57 632 701
Non-performing (CC TO D)	-	-	-	-	-
individually impaired	-	-	6 868 888	6 868 888	13 693 570
Total loans and advances	125 151 706	4 012 164	7 032 884	136 196 754	114 774 682
Corporate Lending					
Good (AAA to BBB-)	60 404 518	-	-	60 404 518	22 464 482
Special Mention (BB+ to CCC-)	-	1 764 016	-	1 764 016	34 464 324
Non performing (CC TO D)	-	-	5 286 443	5 286 443	8 444 715
Total corporate lending	60 404 518	1 764 016	5 286 443	67 454 977	65 373 521
Small business Lending					
Good (AAA to BBB-)	1 017 548	1 761	-	1 019 309	713 929
Special Mention (BB+ to CCC-)	-	120 062	-	120 062	446 915
Non performing (CC TO D)	-	-	91 115	91 115	803 123
Total small business Lending	1 017 548	121 823	91 115	1 230 486	1 963 967
Consumer Lending					
Good (AAA to BBB-)	43 504 623	87 986	21 071	43 613 680	14 546 342
Special Mention (BB+ to CCC-)	-	1 708 459	4 118	1 712 577	11 965 319
Non performing (CC TO D)	-	-	902 196	902 196	4 026 999
Total consumer lending	43 504 623	1 796 445	927 385	46 228 453	30 538 660
Mortgage Lending					
Good (AAA to BBB-)	19 926 742	26 451	135 406	20 088 599	5 382 805
Special Mention (BB+ to CCC-)	298 274	303 480	3 348	605 102	11 196 997
Non performing (CC TO D)	-	-	589 137	589 137	318 733
Total Mortgage Lending	20 225 016	329 931	727 891	21 282 838	16 898 535
Guarantees					
Good (AAA to BBB-)	16 038 026	-	-	16 038 026	13 565 238
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Total guarantees	16 038 026	-	-	16 038 026	13 565 238
Loan commitments					
Good (AAA to BBB-)	22 956 859	-	-	22 956 859	2 841 087
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Total loan commitments	22 956 859	-	-	22 956 859	2 841 087
Other financial assets					
Debentures					
Non performing (CC TO D)	-	-	834 446	834 446	925 775
Bonds					
Good (AAA to BBB-)	17 890 027	-	-	17 890 027	8 072 682
Total other financial assets	17 890 027	-	834 446	18 724 473	8 998 457

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

	STAGE 1 US\$	STAGE 2 US\$	STAGE 3 US\$	TOTAL US\$	2017 TOTAL PER IAS 39 US\$
Total loans and advances					
Insurance debtors	12 162 504	470 209	395 967	13 028 680	5 961 145
Total impairment allowances	12 162 504	470 209	1 656 683	14 289 396	7 616 804
Treasury bills assessed for impairment at 31 December 2018 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.					
Total loans and advances					
Good (AAA to BBB-)	12 107 126	10 724	53 490	12 171 320	2 450 725
Special Mention (BB+ to CCC-)	55 378	459 505	1 432	516 315	227 628
Non performing (CC TO D)	-	-	341 045	341 045	3 282 792
	12 162 504	470 209	395 967	13 028 680	5 961 145

Impairment allowance for loans and advances by lending category:

Corporate Lending					
Good (AAA to BBB-)	7 012 570	-	-	7 012 570	1 225 350
Special Mention (BB+ to CCC-)	-	337 075	-	337 075	91 304
Non performing (CC TO D)	-	-	2 777	2 777	2 042 925
Impairment allowance for corporate lending	7 012 570	337 075	2 777	7 352 422	3 359 579
Small business Lending					
Good (AAA to BBB-)	97 706	131	-	97 837	124 054
Special Mention (BB+ to CCC-)	-	16 108	-	16 108	2 390
Non performing (CC TO D)	-	-	37 132	37 132	111 084
Impairment allowance for small business lending	97 706	16 239	37 154	151 077	237 528
Consumer Lending					
Good (AAA to BBB-)	2 045 252	3 651	5 268	2 054 171	650 038
Special Mention (BB+ to CCC-)	11 675	24 427	414	36 516	44 559
Non performing (CC TO D)	-	-	122 203	122 203	1 009 252
Impairment allowance for consumer lending	2 056 927	28 078	127 885	2 212 890	1 703 849
Mortgage Lending					
Good (AAA to BBB-)	2 951 597	6 944	48 200	3 006 741	116 045
Special Mention (BB+ to CCC-)	43 706	81 894	1 020	126 620	89 376
Non performing (CC TO D)	-	-	178 911	178 911	454 769
Impairment allowance for mortgage lending	2 995 303	88 838	228 131	3 312 272	660 190
Impairment allowances on guarantees and loan commitments included in provisions under other liabilities					
Guarantees					
Good (AAA to BBB-)	231 367	-	-	231 367	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Impairment allowances for guarantees	231 367	-	-	231 367	-
Loan commitments					
Good (AAA to BBB-)	514 967	-	-	514 967	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Impairment allowances for loan commitments	514 967	-	-	514 967	-
Insurance debtors					
	-	-	1 260 716	1 260 716	1 655 659
Other financial assets					
Debentures					



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	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
ECL Movement		
Balance at beginning of year	7 616 804	6 684 196
Impact of IFRS 9 adoption at 1 Jan 2018	4 461 994	-
Increase / decrease in respect of impairments are:		
Loans and advances	5 696 143	3 563 353
Write offs against provision	(3 485 545)	(2 630 745)
	14 289 396	7 616 804
Analysis of loans and advances		
Balance at beginning of year	5 961 145	5 411 456
Impact of IFRS 9 adoption at 1 Jan 2018	4 461 994	-
ECL for current year	6 091 086	3 180 434
Write offs against provision	(3 485 545)	(2 630 745)
Balance at end of year	13 028 680	5 961 145
Analysis of insurance debtors		
Balance at beginning of year	1 655 659	1 272 740
ECL for current year	(394 943)	382 919
Balance at end of year	1 260 716	1 655 659
Analysis of guarantees and loan commitments		
Guarantees		
Impact of IFRS 9 adoption at 1 Jan 2018	592 613	-
ECL for current year	(361 246)	-
Balance at end of year	231 367	-
Loan commitments		
Impact of IFRS 9 adoption at 1 Jan 2018	816 200	-
ECL for current year	(301 233)	-
Balance at end of year	514 967	-
Analysis of other financial assets		
Balance at beginning of year	-	-
ECL for current year	116 725	-
Balance at end of year	116 725	-

19.3 Other business risks

Other business risks faced by the Group are;

- Operational risk
- Legal, reputational and compliance risks
- Technological risks
- Solvency risk
- Underwriting risks

The Group has put in place a framework for the management of the above risks. Regular reviews are undertaken to evaluate the adequacy of risk management processes against a changing operating environment.

19.4 Risk rating

19.4.1 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

19.4.2 External credit ratings

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

Long-term debt rating scale:

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

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

20. COMPLIANCE WITH REGULATIONS

20.1 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 31 December 2018. ZB Building Society (ZBBS) did not meet these requirements as at 31 December 2017.

20.2 Corrective orders and regulatory penalties

The Company was issued with a corrective order on 7 March, 2017 following a targeted corporate governance inspection by the Reserve Bank of Zimbabwe (RBZ) in terms of Section 48(4) of the Banking Act (Chapter 24:20).

A compliance review was carried out in March, 2018 and noted progress made as well as residual matters that still require further action by the company.

The company has made significant progress in addressing outstanding matters and has kept the RBZ abreast with progress being made.

20.3 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.

21. SUBSEQUENT EVENTS

21.1 Events after the reporting period

Following the Monetary Policy Statement of 20 February, 2019, the Government of Zimbabwe issued Statutory Instrument (SI) 32 and 33 of 2019 on 22 February, 2019 together with Exchange Control Directive RU28 of 2019, the effects of which were to:

- Formally recognise local unit monetary balances in the form of bank balances, balances on electronic payment platform and local bond notes as a currency distinct from the US\$. These were subsequently named RTGS Dollars (otherwise identified as ZWL or \$).
- Create a base upon which the RTGS Dollars were to be allowed to trade against the US\$ or any other foreign currencies on the interbank market at a floating rate.

Consequently, the new RTGS Dollars started to trade officially with the USD on 22 February, 2019 and the maiden rate of USD1:ZWL2.5 was established.

The Group's functional currency changed from US\$ to ZWL in line with the reporting provisions of SI 33 of 2019.

Some components of the Group and Company's statement of financial position will be affected by the newly established foreign exchange regime and are expected to re-price to their true value in the ZWL currency whose rate against the US\$ is yet to fully stabilize.

The table below illustrates the impact of various rate scenarios on the statement of financial position as at 31 December, 2018.

Exchange rate scenario (USD:ZWL)	Notes	As Reported	Restated at floating rate scenarios			
		1:1 ZWL\$	1:2.5 ZWL\$	1:3 ZWL\$	1:3.5 ZWL\$	1:4 ZWL\$

ASSETS

Cash and short term funds	a	143 869 250	149 420 546	151 270 978	153 121 410	154 971 842
Money market investments		10 714 886	10 714 886	10 714 886	10 714 886	10 714 886
Treasury Bills		194 347 351	194 347 351	194 347 351	194 347 351	194 347 351
Mortgages and other advances		121 907 358	134 627 345	138 867 341	143 107 336	147 347 332
Investment securities	b	56 513 232	85 810 936	95 576 837	105 342 738	115 108 640
Investment in associates		36 145 227	78 999 374	93 284 089	107 568 805	121 853 520
Inventories, trade and other receivables		12 050 329	12 050 329	12 050 329	12 050 329	12 050 329
Right of use assets		6 405 194	6 405 194	6 405 194	6 405 194	6 405 194
Intangible assets	c	10 938 773	27 346 931	32 816 317	38 285 703	43 755 089
Investment properties	c	33 323 232	83 308 086	99 969 704	116 631 321	133 292 938
Property and equipment	c	36 980 940	92 452 349	110 942 819	129 433 289	147 923 758
Total assets		663 195 772	875 483 327	946 245 845	1 017 008 362	1 087 770 879

LIABILITIES

Deposits and other accounts		433 006 499	441 300 292	444 064 890	446 829 488	449 594 086
Short-term borrowings		14 640 035	14 640 035	14 640 035	14 640 035	14 640 035
Trade and other payables	d	41 480 900	44 468 955	45 464 974	46 460 991	47 457 010
Current tax liabilities		134 611	134 611	134 611	134 611	134 611
Deferred tax liabilities	e	3 611 132	7 865 959	9 284 235	10 702 510	12 120 786
Life assurance funds		37 439 715	93 599 288	112 319 145	131 039 003	149 758 860
Offshore borrowings		5 947 347	14 868 367	17 842 040	20 815 714	23 789 387
Operating lease liability		6 561 587	6 561 587	6 561 587	6 561 587	6 561 587
Total Liabilities		542 821 826	623 439 094	650 311 517	677 183 939	704 056 362

EQUITY

Share capital		1 751 906	1 751 906	1 751 906	1 751 906	1 751 906
Share premium		27 081 696	27 081 696	27 081 696	27 081 696	27 081 696
Other components of equity		24 174 887	24 174 887	24 174 887	24 174 887	24 174 887
Retained income		45 103 526	45 103 526	45 103 526	45 103 526	45 103 526
Change in functional currency translation reserve	f	-	100 496 552	133 995 402	167 494 252	200 993 101
Attributable to equity holders of parent		98 112 015	198 608 567	232 107 417	265 606 267	299 105 116
Non controlling interests		22 261 931	53 435 666	63 826 911	74 218 156	84 609 401
Total Equity		120 373 946	252 044 233	295 934 328	339 824 423	383 714 517

Total equity and liabilities

	663 195 772	875 483 327	946 245 845	1 017 008 362	1 087 770 879
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- a) A balance of US\$3.7m represents a cash holdings or balances in held in foreign currency that are classified as free cash flows in terms of Section 4.3 of the Reserve Bank of Zimbabwe Exchange Control Directive RU28/2019 of 22 February 2019. These balances are not subject to mandatory liquidation and the Group expects to apply these funds without regulatory compulsion. The balance will be expected to re-price in ZWL is line with the movements in ZWL.
- b) Included in investments are listed equities amounting to US\$23.3m and unlisted equities amounting to US\$7.8m . Listed equities have been maintained at the ZSE listed price on the assumption that, being a free market, the prices would have been adjusted to reflect "true market" values loaded for any foreign exchange implications. Unlisted equities which are accounted for using the equity method have been restated through a reconstruction of the investees statement of financial position and isolation of non-monetary assets and true US\$ assets and liabilities from the "local" monetary assets and liabilities and applying the floating rate to the isolated balances.
- c) Fixed asset pricing on the market is already pegged at rates which are above the current official rates. However, asset pricing dynamics are influenced by many factors beyond just the exchange rate and it is therefore parallel market rates may not be sustainable as a basis for the pricing of used assets. It is possible that future value increases that mirror movements in exchange rates may still be recognised. This will be considered as revaluation adjustments at the appropriate time.
- d) Included in trade creditors are foreign liabilities amounting to US\$1.4m. In the roll-out of the monetary policy measures, the RBZ made a general promise that all foreign creditors extant at the introduction of the floating currency rate between the USD and the ZWL will be accommodated at the previous rate of 1:1 from resources that are expected to be mobilised by the RBZ. These liabilities have been translated at the floating rates in the proforma statements and any settlement at par with the US\$ will result in future credit which will be recognised as a restoration of capital through exchange income.
- e) Deferred taxation has been computed on the balance sheet uplift without restating the underlying tax values of affected assets and liabilities. No tax regulations have been released
- f) The functional currency translation reserve arose as a result of change in functional currency from USD to RTGSS.

22. BOARD ATTENDANCE DURING THE YEAR

ENTITY	ZBFH	ZBBL	ZBBS	ZBRE	ZBLA
TOTAL MEETINGS	5	4	4	4	4
PROF C MANYERUKE	5	X	X	X	X
R MUTANDAGAYI	5	4	4	4	4
O AKERELE	5	X	X	X	X
T S BVURERE	4	X	X	X	X
P CHIROMO	5	X	X	X	X
F KAPANJE	5	X	X	X	X
A Z MANGWIRO	5	X	X	X	X
J MUTEVEDZI	5	X	X	X	X
B P NYONI	4	X	X	X	X
S A SIBANDA	X	4	4	X	X
P M MATUPIRE	X	4	X	X	X
C MANDIZVIDZA	X	4	X	X	4
G N MAHLANGU	X	4	X	X	X
G CHIKOMO	X	4	X	X	X
G. NHEWEYEMBWA	X	4	X	X	X
C SANDURA	X	X	4	X	X
S K CHIGANZE	X	X	4	X	X
C MAKONI	X	X	4	X	4
*E MUNGONI	X	X	2	X	X
M T SACHAK	X	X	4	X	X
F B CHIRIMUUTA	X	X	X	4	X
P MURAMBINDA	X	X	X	4	X
A G CHINEMBIRI	X	X	X	X	4
E T Z CHIDZONGA	X	X	X	X	4
M MKUSHI	X	X	X	X	4
L MAWIRE	X	X	X	X	4
B SHUMBA	X	X	X	4	X

* E Mungoni resigned from the board during the second quarter of 2018.

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

Receive cash from Diaspora with ZB Bank.



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Teller





AUDITED FINANCIAL RESULTS 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION As at 31 December 2018

Notes	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
ASSETS		
Cash and cash equivalents	124 760 277	73 464 239
Money market investments	10 000 000	33 000 000
Treasury bills	194 347 351	155 945 191
Advances and other accounts	113 597 018	97 748 186
Inventories, trade and other receivables	17 482 860	23 162 259
Investment securities	25 500 817	19 620 751
Investment in subsidiary company	22 636 583	22 657 722
Right of use assets	5 951 638	-
Intangible assets	10 225 612	6 097 435
Property and equipment	13 359 664	9 135 847
Deferred tax assets	442 069	95 614
Total assets	538 303 889	440 927 244
LIABILITIES		
Deposits from customers	425 322 385	355 174 341
Offshore borrowings	5 947 347	-
Trade and other payables	30 190 183	24 980 188
Lease liability	6 025 115	-
Total liabilities	467 485 030	380 154 529
EQUITY AND RESERVES		
Share capital	1 810 402	1 810 402
Share premium	32 958 032	32 958 032
Revaluation reserves	4 190 026	754 668
Other reserves	2 850 459	2 408 347
Retained income	29 009 940	22 841 266
Total equity	70 818 859	60 772 715
Total equity and liabilities	538 303 889	440 927 244

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

Notes	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Interest and related income	28 077 895	21 902 896
Interest and related expenses	(6 539 842)	(7 330 706)
Net interest and related income	21 538 053	14 572 190
Loan impairment charges, net of recoveries	(4 907 256)	(2 712 536)
Net income from lending activities	16 630 797	11 859 654
Commission and fee income	36 404 398	33 099 148
Other income	3 874 612	3 141 803
Fair value adjustments	(66 839)	1 539 032
Total income	56 842 968	49 639 637
Operating expenses	(43 237 557)	(39 007 149)
Profit before taxation	13 605 411	10 632 488
Income tax expense	(301 665)	(473 146)
Profit for the year	13 303 746	10 159 342
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Gain on property revaluation	4 872 790	-
Items that may be reclassified to profit or loss		
Fair value adjustments on financial assets at FVTOCI	595 437	(2 150 649)
Related tax	(1 408 068)	553 792
Other comprehensive (loss) / income net of tax	4 060 159	(1 596 857)
Total comprehensive income for the year	17 363 905	8 562 485
Earnings per share (US cents)		
Basic and fully diluted earnings per share	0.07	0.06

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

	Share capital US\$	Share premium US\$	Revaluation reserve US\$	General reserve US\$	FVOCI financial assets reserve US\$	Retained income US\$	Total US\$
Balance at 1 January 2017	1 810 402	32 958 032	1 185 058	286 189	4 005 204	15 937 692	56 182 577
Profit or loss	-	-	-	-	-	10 159 342	10 159 342
Profit for the year	-	-	-	-	-	10 159 342	10 159 342
as previously reported	-	-	-	-	-	11 520 650	11 520 650
prior adjustments	-	-	-	-	-	(1 361 308)	(1 361 308)
Other comprehensive income, net of tax	-	-	-	-	(1 596 857)	-	(1 596 857)
Fair value gains on FVOCI financial assets	-	-	-	-	(1 596 857)	-	(1 596 857)
Distributions	-	-	-	-	-	(3 972 347)	(3 972 347)
Dividend to shareholders	-	-	-	-	-	(3 972 347)	(3 972 347)
Other movements	-	-	-	(286 189)	-	286 189	-
Adjustment for regulatory reserve in respect of doubtful debts	-	-	-	(286 189)	-	286 189	-
Transfer to retained income	-	-	(430 390)	-	-	430 390	-
Balance at 31 December 2017	1 810 402	32 958 032	754 668	-	2 408 347	22 841 266	60 772 715
Change on initial application of IFRS 9	-	-	-	-	-	(2 208 868)	(2 208 868)
Change on early adoption of IFRS 16	-	-	-	-	-	(113 266)	(113 266)
Restated balance at 1 January 2018	1 810 402	32 958 032	754 668	-	2 408 347	20 519 132	58 450 581
Profit or loss	-	-	-	-	-	13 303 746	13 303 746
Profit for the year	-	-	-	-	-	13 303 746	13 303 746
Other comprehensive income, net of tax	-	-	3 618 047	-	-	-	3 618 047
Revaluation of property	-	-	3 618 047	-	-	-	3 618 047
Fair value gains on FVOCI financial assets	-	-	-	-	442 112	-	442 112
Distributions	-	-	-	-	-	(4 995 627)	(4 995 627)
Dividend to shareholders	-	-	-	-	-	(4 995 627)	(4 995 627)
Other movements	-	-	(182 689)	-	-	182 689	-
Transfer to retained income	-	-	(182 689)	-	-	182 689	-
Balance as at 31 December 2018	1 810 402	32 958 032	4 190 026	-	2 850 459	29 009 940	70 818 859

STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Cash generated from operating activities	42 641 639	12 395 567
Interest and related income	28 077 895	21 902 896
Interest and related expenses	(6 539 842)	(7 330 706)
Income taxes paid	(1 005 623)	(10 834)
Net cash generated from operating activities	63 174 069	26 956 923
Investing activities		
Dividends received	1 408 341	1 068 432
Proceeds on disposal of property and equipment	19 068	76 944
Purchase of property and equipment	(5 288 577)	(2 434 028)
Purchase of intangible assets	(3 037 095)	(889 131)
Net cash used in investing activities	(6 898 263)	(2 177 783)
Cash flows from financing activities		
Dividend paid	(4 995 627)	(3 972 347)
Net cash used in financing activities	(4 995 627)	(3 972 347)
Net increase in cash and cash equivalents	51 280 179	20 806 793
Cash and cash equivalents at the beginning of the year	73 464 239	52 689 392
Effect of exchange rate fluctuations on cash and cash equivalents held	15 859	(31 946)
Cash and cash equivalents at end of the year	124 760 277	73 464 239
- Cash on hand	9 824 290	7 143 778
- Local bank accounts	112 319 678	64 809 565
- Foreign bank accounts	2 616 309	1 510 896
	124 760 277	73 464 239

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

1. PRIOR YEAR ADJUSTMENT

Prior year figures were adjusted in respect of an income overstatement arising from a dividend amount of US\$1.7m that was intimated in error from a foreign investment representing accumulations during the period between 2008 and 2016 when the Bank was included in the list of specified persons by the United States of America Treasury Department's Office of Foreign Accounts Control (OFAC).

The impact of the adjustment is indicated below:

	Restated 31 Dec 2017 US\$
1. Effect on total income	
- as previously reported	51 341 272
- prior year adjustment arising from reversal of dividend income	(1 701 635)
Restated amount	49 639 637
2. Effect on income tax expense	
- as previously reported	813 473
- prior year adjustment arising from reduction in taxable income in tax computations	(340 327)
Restated amount	473 146
3. Effect on total assets	
- as previously reported	442 288 552
- prior year adjustment arising from reduction in inventories, trade and other receivables	(1 361 308)
Restated amount	440 927 244
4. Effect on reported retained income	
- as previously reported	11 520 650
- prior year adjustment Arising from reversal of dividend income	(1 361 308)
Arising from reduction in tax expense	(1 701 635)
Restated amount	340 327
Restated amount	10 159 342
5. Effect on shareholder equity	
- as previously reported	62 134 023
- prior year adjustment Arising from reversal of dividend income	(1 361 308)
Arising from reduction in tax expense	(1 701 635)
Restated amount	340 327
Restated amount	60 772 715

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
2. CASH AND CASH EQUIVALENTS		
Balances with the Reserve Bank of Zimbabwe	112 319 678	64 809 565
Balances with other banks and cash	12 440 599	8 654 674
	124 760 277	73 464 239
3. MONEY MARKET INVESTMENTS		
Placements with other banks	10 000 000	33 000 000

The Bank invested in money market placements which had maturities ranging from 8 days to 270 days and average interest rates ranging from 3% to 7.5%.

4. TREASURY BILLS

4.1 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:

- as "at fair value through profit or loss (FVTPL)";
- as at fair value through other comprehensive income (FVTOCI); and
- as "at armortised cost (AMCO)."

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Treasury bills include:		
Assets classified as "FVTPL"		
Treasury bills acquired from the primary market	22 747 733	11 428 236
Assets classified as at "FVTOCI":		
Medium term treasury bills acquired from the secondary market	134 768 528	105 694 046
Assets classified as at "AMCO":		
Treasury bills issued as substitution for debt instruments	20 727 050	23 485 728
Capitalization treasury bills	16 104 040	15 337 181
	194 347 351	155 945 191

Treasury bills amounting to \$7 million were used as security for the Bank to access fixed deposits.



- The Bank invested in treasury bills issued by the RBZ over a period ranging from 3 months to 24 months (December 2017: 12 months to 36 months) and were at rates ranging from 7% to 10% (December 2017: 9% to 10%).
- The Bank purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 0% to 5% (December 2017: 2% to 5%) with maturity periods ranging from 1 month to 3 years (December 2017: 2 months to 4 years).
- 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% (December 2017: 5%) and maturity periods ranging from 1 month to 14 years (December 2017: 2 months to 15 years).
- 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. The CTBs are carried at amortised cost, with cost having been established at fair value at initial recognition using a Discounted Cash Flow valuation technique in which an assessed discount rate of 5% was applied as a proxy for market rate in the absence of free market trade on similar instruments.

Impairment assessment

Treasury bills, carried at "AMCO" are assessed for impairment annually. There was no objective evidence at 31 December 2018 to suggest that future cash flows on the "AMCO" treasury bills portfolio could end up being less than anticipated at the point of initial recognition. Consequently, no impairment adjustment arose from the assessment.

4.2 Contingent assets

The Bank previously held balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporates and tobacco farmers. These balances were expunged through issuance of treasury bills in terms of the Reserve Bank of Zimbabwe (Debt assumption) Act, 2015. The Bank received treasury bills amounting to US\$6.8million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US\$6.76 million (2017: US\$5.2 million) of these treasury bills had been passed on to customers as at 31 December 2018.

These treasury bills have been accounted for as contingent assets as at 31 December 2018 as the Bank is holding them on behalf of customers.

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
In respect of treasury bills held in trust on behalf of customers	38 595	1 573 494

5. ADVANCES AND OTHER ACCOUNTS

5.1 Loans, overdrafts and other accounts at "AMCO"

Loans and overdrafts	100 279 166	89 392 474
Mortgage loans	16 798 005	11 415 691
Finance leases	7 081 950	2 841 087
Bills discounted	1 176 573	1 399 977
Gross advances	125 335 694	105 049 229

Off statement of financial position exposures

In respect of guarantees	16 038 026	13 565 238
Gross credit exposure	141 373 720	118 614 467

Gross advances	125 335 694	105 049 229
Less: Allowance for loan impairment	(11 738 676)	(5 338 879)
Less: Interest reserved	-	(1 962 164)
Net advances	113 597 018	97 748 186

5.2 Determination of carrying amount

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

5.3 Maturity analysis

- On demand	17 020 523	24 294 370
- Within 1 month	1 838 972	3 854 733
- Between 1 and 6 months	10 867 268	13 825 179
- Between 7 and 12 months	9 169 888	14 665 172
- After 12 months	86 439 043	48 409 775
	125 335 694	105 049 229

5.4 Loans and advances to customers by business line:

Corporate lending	67 454 977	63 855 826
Small business lending	1 043 840	2 180 249
Consumer lending	40 038 872	27 597 463
Mortgage lending	16 798 005	11 415 691
	125 335 694	105 049 229

5.5 Mortgage loans

Mortgage advances were spread as follows:

Type of property:	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
High density	1 124 347	313 165
Medium density	1 403 405	995 736
Low density	8 504 328	4 861 907
Commercial	5 765 925	5 244 883
	16 798 005	11 415 691

5.6 Finance lease receivables

Gross advances include the following finance lease receivables for leases of certain equipment where the Bank is the lessor.

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Gross investment in finance leases:		
Less than 1 year	496 894	816 012
Between 1 and 5 years	7 750 946	2 349 113
Gross investment in finance leases	8 247 840	3 165 125
Unearned finance charges	(1 165 890)	(324 038)
Net investment in finance leases	7 081 950	2 841 087
Less than 1 year	471 507	780 903
Between 1 and 5 years	6 610 443	2 060 184
	7 081 950	2 841 087

	31 Dec 2018 US\$	%	Restated 31 Dec 2017 US\$	%
5.7 Sectoral analysis of advances				
Private	55 796 518	44%	37 016 658	35%
Agriculture	12 160 829	10%	12 748 770	12%
Mining	6 274 389	5%	669 365	1%
Manufacturing	4 934 107	4%	11 934 398	11%
Distribution	6 457 317	5%	6 656 510	6%
Construction	4 777 856	4%	1 900 415	2%
Transport	3 446 859	3%	3 473 088	3%
Communication	278 025	-	642 722	1%
Services	20 381 724	16%	19 933 603	19%
Financial	10 828 070	9%	10 073 700	10%
	125 335 694	100%	105 049 229	100%

5.8 Sectoral analysis of guarantees

Manufacturing	11 913 800	74%	11 905 000	88%
Distribution	54 876	-	605 609	5%
Construction	428 685	3%	193 486	1%
Transport	13 100	-	6 000	0%
Services	2 974 983	19%	849 143	6%
Financial	652 582	4%	-	-
Communications	-	-	6 000	0%
	16 038 026	100%	13 565 238	100%

5.9 Non-performing debt

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Non-performing loans	6 209 440	12 881 944
Less: Allowances for loan impairment	(157 832)	(5 338 879)
Less: Interest reserved	-	(1 962 164)
Value to be received from security held	6 051 608	5 580 901

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of security held in respect of the non-performing book amounted to US\$6 750 809 as at 31 December 2018 (2017: US\$21 586 351).

Non performing loans with a net carrying value of US\$9 599 374 were transferred to a Special Vehicle called Credsave (Private) Limited (Credsave) on 31 December 2016, in a transaction that did not meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Bank.

As at 31 December 2018, the carrying value of these assets stood at \$5 277 307, with a security value of US\$6 663 045, thus implying a security coverage of 126%. The Bank has initiated legal proceedings for the recovery of amounts outstanding against existing security.

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
5.10 Loan impairment movement		
Balance at beginning of the year	5 338 879	4 201 761
IFRS 9 adjustment as at 1 Jan 2018	4 202 307	-
Charge to statement of profit or loss (note 19)	5 683 036	3 280 494
Write offs charged to provision	(3 485 546)	(2 143 376)
Balance at end of the year	11 738 676	5 338 879

5.11 Internal rating grade

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

	STAGE 1 US\$	STAGE 2 US\$	STAGE 3 US\$	TOTAL US\$	2017 TOTAL PER IAS 39 US\$
5.11.1 Total loans and advances					
Good (AAA - BBB-)	115 353 341	-	-	115 353 341	90 483 885
Special mention (BB+ - CCC-)	-	3 772 913	-	3 772 913	1 683 400
Non performing (CC - D)	-	-	6 209 440	6 209 440	12 881 944
Total	115 353 341	3 772 913	6 209 440	125 335 694	105 049 229
Corporate lending					
Good (AAA - BBB-)	60 404 518	-	-	60 404 518	54 809 049
Special mention (BB+ - CCC-)	-	1 764 016	-	1 764 016	602 062
Non performing (CC - D)	-	-	5 286 443	5 286 443	8 444 715
	60 404 518	1 764 016	5 286 443	67 454 977	63 855 826
Small business lending					
Good (AAA - BBB-)	914 312	-	-	914 312	1 460 868
Special mention (BB+ - CCC-)	-	120 062	-	120 062	8 558
Non performing (CC - D)	-	-	9 466	9 466	710 823
	914 312	120 062	9 466	1 043 840	2 180 249
Consumer lending					
Good (AAA - BBB-)	37 668 228	-	-	37 668 228	22 996 849
Special mention (BB+ - CCC-)	-	1 700 942	-	1 700 942	874 208
Non performing (CC - D)	-	-	669 702	669 702	3 726 406
	37 668 228	1 700 942	669 702	40 038 872	27 597 463
Mortgage lending					
Good (AAA - BBB-)	16 366 283	-	-	16 366 283	11 217 118
Special mention (BB+ - CCC-)	-	187 893	-	187 893	198 573
Non performing (CC - D)	-	-	243 829	243 829	-
	16 366 283	187 893	243 829	16 798 005	11 415 691

5.11.2 Other financial assets

Bonds					
Good (AAA - BBB-)	17 890 027	-	-	17 890 027	8 072 682
Debentures					
Non performing (CC - D)	-	-	834 446	834 446	925 775
Total	17 890 027	-	834 446	18 724 473	8 998 457

5.11.3 Financial guarantees and loan commitments

Financial guarantees					
Good (AAA - BBB-)	16 038 026	-	-	16 038 026	13 565 238
Total	16 038 026	-	-	16 038 026	13 565 238
Loan commitments					
Good (AAA - BBB-)	22 956 859	-	-	22 956 859	2 841 087
Total	22 956 859	-	-	22 956 859	2 841 087



5.12 IMPAIRMENT ALLOWANCE FOR LOANS AND ADVANCES

	STAGE 1 US\$	STAGE 2 US\$	STAGE 3 US\$	TOTAL US\$	2017 TOTAL PER IAS 39 US\$
5.12.1 Total loans and advances					
Good (AAA to- BBB-)	11 145 680	-	-	11 145 680	1 909 370
Special Mention (BB+ to CCC-)	-	435 164	-	435 164	146 717
Non performing (CC TO D)	-	-	157 832	157 832	3 282 792
TOTAL	11 145 680	435 164	157 832	11 738 676	5 338 879
5.12.2 Corporate Lending					
Good (AAA to- BBB-)	7 012 570	-	-	7 012 570	1 225 350
Special Mention (BB+ to CCC-)	-	337 075	-	337 075	91 304
Non performing (CC TO D)	-	-	2 777	2 777	2 042 924
TOTAL	7 012 570	337 075	2 777	7 352 422	3 359 578
5.12.3 Small business Lending					
Good (AAA to- BBB-)	95 402	-	-	95 402	120 840
Special Mention (BB+ to CCC-)	-	16 108	-	16 108	2 390
Non performing (CC TO D)	-	-	3 602	3 602	53 468
TOTAL	95 402	16 108	3 602	115 112	176 698
5.12.4 Consumer Lending					
Good (AAA to- BBB-)	1 602 560	-	-	1 602 560	527 555
Special Mention (BB+ to CCC-)	-	24 427	-	24 427	37 079
Non performing (CC TO D)	-	-	96 444	96 444	829 659
TOTAL	1 602 560	24 427	96 444	1 723 431	1 394 293
5.12.5 Mortgage Lending					
Good (AAA to- BBB-)	2 435 148	-	-	2 435 148	35 625
Special Mention (BB+ to CCC-)	-	57 554	-	57 554	15 944
Non performing (CC TO D)	-	-	55 009	55 009	356 741
TOTAL	2 435 148	57 554	55 009	2 547 711	408 310
5.12.6 Other financial assets					
Debentures					
Non performing (CC TO D)	-	-	73 266	73 266	-
Bonds					
Good (AAA to- BBB-)	43 459	-	-	43 459	-
TOTAL	43 459	-	73 266	116 725	-
5.12.7 Guarantees					
Good (AAA to- BBB-)	231 367	-	-	231 367	-
TOTAL	231 367	-	-	231 367	-
5.12.8 Loan commitments					
Good (AAA to- BBB-)	514 967	-	-	514 967	-
TOTAL	514 967	-	-	514 967	-

6. INVENTORIES, TRADE AND OTHER RECEIVABLES

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Inventories	793 443	1 971 424
Accrued interest	608 151	270 984
Remittances in transit	6 191 209	5 136 407
Advance payments and sundry assets	8 792 202	13 833 255
Amounts clearing from other banks	1 097 855	1 950 189
TOTAL	17 482 860	23 162 259

7. INVESTMENT SECURITIES

7.1 Carrying amounts

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Designated as at "FVTPL"		
Unlisted equities	1 092 892	1 297 850
Listed equity investments	5 120 778	4 961 626
TOTAL	6 213 670	6 259 476
Held at "AMCO"		
Bank balances	562 674	4 362 818
Debentures	834 446	925 775
Bonds	17 890 027	8 072 682
TOTAL	25 500 817	19 620 751

7.2 Movement of investment securities

Balance at beginning of the year	19 620 751	12 349 662
Movements during the year:	6 077 776	6 064 550
-on bonds	9 879 167	7 500 000
-on bank balances	(3 801 391)	(1 435 450)
Fair value adjustments:	(45 700)	1 119 253
-on listed equity investments	159 154	559 912
-on unlisted investments	(204 854)	559 341
Interest accrued on debentures and bonds	(36 426)	85 028
-current period	66 102	102 528
-prior year interest received	(102 528)	(17 500)
Impairment charges:	(116 725)	-
-on debentures	(73 266)	-
-on bonds	(43 459)	-
Exchange losses:	1 141	2 258
-on bank balances	1 246	1 974
-on unlisted equity investments	(105)	284
TOTAL	25 500 817	19 620 751

7.3 Impairment movement on debentures and bonds

Initial adoption of IFRS 9	6 430	-
Charge to statement of profit or loss (note 19)	110 295	-
Balance at end of year	116 725	-

8. INVESTMENT IN SUBSIDIARY COMPANY

Investment in Barcelona Investments Limited		
Fair value at beginning of year	22 657 722	22 237 943
Fair value (loss) / gain to statement of profit or loss (note 21)	(21 139)	419 779
Fair value at end of year	22 636 583	22 657 722

9. RIGHT OF USE ASSETS

Initial adoption of IFRS 16	9 239 290	-
Depreciation charge	(3 287 652)	-
Balance at year end	5 951 638	-

10. INTANGIBLE ASSETS

	Computer software US\$	Capital work in progress US\$	Total US\$
2018			
Cost or valuation			
Balance at 1 January 2018	19 820 540	214 377	20 034 917
Additions	34 046	3 003 049	3 037 095
Surplus on revaluation	3 009 949	-	3 009 949
Balance at 31 December 2018	22 864 535	3 217 426	26 081 961
Accumulated amortisation			
Balance at 1 January 2018	13 937 482	-	13 937 482
Recognised in statement of profit or loss	1 918 867	-	1 918 867
Balance at 31 December 2018	15 856 349	-	15 856 349
Carrying value at 31 December 2018	7 008 186	3 217 426	10 225 612
2017			
Cost or valuation			
Balance at 1 January 2017	19 133 122	12 664	19 145 786
Additions	509 489	379 642	889 131
Transfers between categories	177 929	(177 929)	-
Balance at 31 December 2017	19 820 540	214 377	20 034 917
Accumulated amortisation			
Balance at 1 January 2017	11 511 013	-	11 511 013
Recognised in statement of profit or loss	2 426 469	-	2 429 469
Balance at 31 December 2017	13 937 482	-	13 937 482
Carrying value at 31 December 2017	5 883 058	214 377	6 097 435

11. PROPERTY AND EQUIPMENT

	Leasehold improvements US\$	Equipment, furniture & fittings US\$	Computer equipment US\$	Motor vehicles US\$	Capital work in progress US\$	Total US\$
2018						
Cost or valuation						
Balance at 1 January 2018	6 532 543	4 405 468	8 729 383	3 546 250	215 748	23 429 392
Additions	87 296	148 018	2 012 775	2 331 143	709 345	5 288 577
Gain on revaluation	48 269	100 902	1 675 469	38 201	-	1 862 841
Disposals	-	(272 792)	(304 993)	(141 606)	-	(719 391)
Transfer between categories	261 028	85 075	5 923	-	(352 026)	-
Balance at 31 December 2018	6 929 136	4 466 671	12 118 557	5 773 988	573 067	29 861 419
Accumulated depreciation						
Balance at 1 January 2018	3 501 673	2 449 432	5 432 360	2 910 080	-	14 293 545
Charge to statement of profit or loss	598 023	371 597	1 489 484	356 111	-	2 815 215
Disposals	-	(209 179)	(270 381)	(127 445)	-	(607 005)
Balance at 31 December 2018	4 099 696	2 611 850	6 651 463	3 138 746	-	16 501 755
Net book value at 31 December 2018	2 829 440	1 854 821	5 467 094	2 635 242	573 067	13 359 664
2017						
Cost or valuation						
Balance at 1 January 2017	6 381 514	4 246 812	6 866 628	3 594 285	215 748	21 304 987
Additions	151 029	181 576	1 876 386	225 037	-	2 434 028
Disposals	-	(22 920)	(13 631)	(273 072)	-	(309 623)
Balance at 31 December 2017	6 532 543	4 405 468	8 729 383	3 546 250	215 748	23 429 392
Accumulated depreciation						
Balance at 1 January 2017	2 926 383	2 087 952	4 553 120	2 939 755	-	12 507 210
Charge to statement of profit or loss	575 290	377 342	890 654	216 090	-	2 059 376
Disposals	-	(15 862)	(11 414)	(245 765)	-	(273 041)
Balance at 31 December 2017	3 501 673	2 449 432	5 432 360	2 910 080	-	14 293 545
Net book value at 31 December 2017	3 030 870	1 956 036	3 297 023	636 170	215 748	9 135 847

12. DEFERRED TAX ASSETS

	Balance at 1 January US\$	Recognised in profit or loss US\$	Recognised in OCI US\$	Other movements affecting equity US\$	Balance at 31 December US\$
2018					
Property and equipment	(1 190 933)	(24 754)	(1 254 743)	-	(2 470 430)
Provisions and deferred income	2 178 432	334 847	-	-	2 513 279
Unrealised exchange losses	8 226	(12 337)	-	-	(4 111)
Fair value adjustments on investment securities	(64 893)	10 248	-	-	(54 645)
Fair value adjustments on FVOCI financial assets	(835 218)	-	(153 325)	-	(988 543)
Impact of initial adoption of IFRS 9	-	-	-	1 446 519	1 446 519
TOTAL	95 614	308 004	(1 408 068)	1 446 519	442 069
2017					
Property and equipment	(1 131 849)	(59 084)	-	-	(1 190 933)
Provisions and deferred income	1 243 664	934 768	-	-	2 178 432
Unrealised exchange losses	(92 891)	101 117	-	-	8 226
Fair value adjustments on investment securities	(36 911)	(27 982)	-	-	(64 893)
Fair value adjustments on FVOCI financial assets	(1 389 010)	-	553 792	-	(835 218)
Estimated tax loss	578 018	(578 018)	-	-	-
TOTAL	(828 979)	370 801	553 792	-	95 614

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
TOTAL	442 069	9 135 847

13. DEPOSITS FROM CUSTOMERS

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Current accounts	83 328 068	53 674 201
Savings and call accounts	210 790 196	146 105 729
Term deposits	116 420 921	142 188 662
Bank deposits	14 782 338	13 204 876
Other	862	873
TOTAL	425 322 385	355 174 341
Maturity analysis of deposits		
On demand	294 118 264	199 779 930
Within 1 month	63 311 141	72 060 993
Between 1 and 6 months	63 714 517	71 234 777
Between 6 and 12 months	4 148 634	9 516 183
After 12 months	29 829	2 582 458
TOTAL	425 322 385	355 174 341



13. DEPOSITS FROM CUSTOMERS (continued)

	31 Dec 2018		Restated 31 Dec 2017	
	US\$	% Contribution	US\$	% Contribution
Sectoral analysis of deposits				
Private	56 688 760	13%	52 745 297	15%
Agriculture	28 778 814	7%	10 329 099	3%
Mining	2 293 046	1%	1 185 693	-
Manufacturing	43 876 924	10%	44 185 869	12%
Distribution	8 147 575	2%	7 862 601	2%
Construction	4 758 353	1%	6 125 661	2%
Transport	3 943 394	1%	1 574 764	1%
Services	151 673 986	36%	91 580 667	26%
Financial	69 169 409	16%	93 514 160	26%
Communication	55 992 124	13%	46 070 530	13%
	425 322 385	100%	355 174 341	100%

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
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14. OFFSHORE BORROWINGS

Balance at beginning of year	-	-
New loans	5 947 347	-
Balance at end of year	5 947 347	-

15. TRADE AND OTHER PAYABLES

Interest accrued on deposits	864 889	1 019 059
Items in transit	3 910 715	5 978 587
Accruals and sundries	23 639 612	17 982 542
Expected credit loss on loan commitments	746 333	-
Amounts clearing to other banks	1 028 634	-
	30 190 183	24 980 188

16. LEASE LIABILITY

Initial adoption of IFRS 16	9 239 290	-
Interest expense	1 248 531	-
Lease payments	(4 462 706)	-
Balance at year end	6 025 115	-

17. EQUITY AND RESERVES

17.1 Share capital

Authorised; 300 000 000 (2017: 300 000 000) ordinary shares of US\$0.01 each	3 000 000	3 000 000
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Issued and fully paid; 181 040 166 ordinary shares of US\$0.01 each (2017: 181 040 166)	1 810 402	1 810 402
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17.2 Capital adequacy

Ordinary share capital	1 810 402	1 810 402
Share premium	32 958 032	32 958 032
Reserves	31 860 399	25 249 613
IFRS capital	66 628 833	60 018 047
Add/(less) regulatory adjustments		
Loans to Group entities	(698 082)	(142 964)
Fair value adjustment on capitalization treasury bills	3 895 961	4 662 820
Interest in reserve on non-performing loans	(2 322 793)	-
Tier 1 capital	67 503 919	64 537 903
Revaluation reserve	4 190 026	754 668
Tier 2 capital	4 190 026	754 668
Total capital base	71 693 945	65 292 571
Credit risk weighted assets	180 654 608	162 165 190
Operational risk equivalent assets	82 859 432	74 956 627
Market risk equivalent assets	16 292 576	16 089 408
Total risk weighted assets	279 806 616	253 211 225
Tier 1 capital ratio	24.13%	25.49%
Tier 2 capital ratio	1.50%	0.30%
Capital adequacy ratio	25.62%	25.79%

18. NET INTEREST AND RELATED INCOME

18.1 Interest and related income

Interest and related income comprises interest on:		
-Advances	6 131 870	5 986 233
-Overdrafts	739 869	1 559 656
Establishment fees	1 884 867	1 538 521
Placements with other banks	886 250	484 588
Treasury bills	15 462 679	11 955 023
Other interest receivable categories	2 972 360	378 875
Total interest and related income	28 077 895	21 902 896

18.2 Interest and related expenses

Interest and related expenses comprise interest on:		
Customer deposits	5 598 594	6 920 405
Placements from other banks	354 916	260 638
Other interest expense categories	586 332	149 663
Total interest and related expenses	6 539 842	7 330 706
Net interest and related income	21 538 053	14 572 190

19. ANALYSIS OF LOAN IMPAIRMENT / (RECOVERIES) CHARGES TO STATEMENT OF PROFIT OR LOSS

Impairment charges on loans and overdrafts (note 5.10)	5 683 036	3 280 494
Impairment charges on other financial assets (note 7.3)	110 295	-
Impairment charges on guarantees and undrawn facilities (note 25.1.4)	(662 480)	-
Recoveries during the year	(654 115)	(2 310 893)
Write-off during the year	430 520	1 742 935
	4 907 256	2 712 536

20. OTHER INCOME

Exchange income	690 090	462 970
Dividends from other investments	1 408 341	1 068 432
Rentals and recoveries	1 531 032	1 200 888
(Loss) / profit on sale of equipment	(217)	40 362
Sundry	245 366	369 151
	3 874 612	3 141 803

21. FAIR VALUE ADJUSTMENTS

Arising from "FVPTL" instruments		
Investment securities (Note 6.2)	(45 700)	1 119 253
Investment in subsidiary company (Note 7)	(21 139)	419 779
	(66 839)	1 539 032

22. OPERATING EXPENSES

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
Staff expenses	16 270 533	15 215 519
Communication expenses	946 293	669 969
Computer and information technology	4 240 991	3 749 386
Occupation expenses	1 532 304	3 632 653
Transport expenses	351 171	307 228
Travelling expenses	344 522	311 081
Administration expenses	19 551 743	15 121 313
	43 237 557	39 007 149

Included in administration expenses are the following:

Depreciation charges on property and equipment	2 815 214	2 059 376
Amortisation of intangible assets	1 918 867	2 426 469
Auditors' remuneration	139 215	141 665
-for current year audit	33 899	42 241
-for half year review	18 228	18 121
-for prior year	87 088	81 303

23. INCOME TAX EXPENSE

Current income tax expense	609 669	843 947
Deferred taxation	(308 004)	(370 801)
	301 665	473 146

24. EARNINGS PER SHARE

Basic per share		
Net earnings after taxation	13 303 746	10 159 342
Earns per share (US\$ cents)	0.07	0.06

25. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

The nominal values of such commitments are listed below:

	31 Dec 2018 US\$	Restated 31 Dec 2017 US\$
In respect of treasury bills held in trust on behalf of customers	38 595	1 573 494
In respect of guarantees	16 038 026	13 565 238
In respect of undrawn commitments	22 956 859	-
	39 033 480	15 138 732

25.1 Impairment of financial guarantees and other commitments

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

25.1.1 Treasury bills

	STAGE 1	STAGE 2	STAGE 3	TOTAL	2017 TOTAL
	US\$	US\$	US\$	US\$	PER IAS 39 US\$
Good (AAA – BBB-)	38 595	-	-	38 595	1 573 494
Total	38 595	-	-	38 595	1 573 494

25.1.2 Financial guarantees

	STAGE 1	STAGE 2	STAGE 3	TOTAL	2017 TOTAL
	US\$	US\$	US\$	US\$	PER IAS 39 US\$
Good (AAA – BBB-)	16 038 026	-	-	16 038 026	13 565 238
Total	16 038 026	-	-	16 038 026	13 565 238

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

	STAGE 1	STAGE 2	STAGE 3	TOTAL	2017 TOTAL
	US\$	US\$	US\$	US\$	PER IAS 39 US\$
Good (AAA – BBB-)	231 367	-	-	231 367	-
Total	231 367	-	-	231 367	-

25.1.3 Other undrawn commitments

	STAGE 1	STAGE 2	STAGE 3	TOTAL	2017 TOTAL
	US\$	US\$	US\$	US\$	PER IAS 39 US\$
Good (AAA – BBB-)	22 956 859	-	-	22 956 859	-
Total	22 956 859	-	-	22 956 859	-

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



	STAGE 1	STAGE 2	STAGE 3	TOTAL	2017 TOTAL
	US\$	US\$	US\$	US\$	PER IAS 39
	US\$	US\$	US\$	US\$	US\$
Good (AAA – BBB-)	514 967	-	-	514 967	-
Total	514 967	-	-	514 967	-

	31 Dec 2018	Restated
	US\$	31 Dec 2017
	US\$	US\$

25.1.4 Impairment movement on guarantees and undrawn commitments

Initial adoption of IFRS 9	1 408 813	-
Charge to statement of profit or loss (note 19)	(662 480)	-
Balance at end of year	746 333	-

26. RISK MANAGEMENT

26.1 Financial assets and financial liabilities classification and fair values

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

31 December 2018	Note	CARRYING AMOUNT				FAIR VALUE			
		Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets measured at fair value									
Equity securities	7	6 213 670	-	-	6 213 670	5 120 778	-	1 092 892	6 213 670
Treasury bills	4	157 516 261	-	-	157 516 261	-	22 747 733	134 768 528	157 516 261
Total		163 729 931	-	-	163 729 931	5 120 778	22 747 733	135 861 420	163 729 931
Financial assets not measured at fair value									
Cash and cash equivalents	2	-	124 760 277	-	124 760 277	-	-	-	124 760 277
Money market investments	3	-	10 000 000	-	10 000 000	-	-	-	10 000 000
Treasury bills	4	-	36 831 090	-	36 831 090	-	-	-	36 831 090
Advances and other accounts	5	-	113 597 018	-	113 597 018	-	-	-	113 597 018
Trade and other receivables	6	-	13 126 191	-	13 126 191	-	-	-	13 126 191
Investment securities	7	-	19 287 147	-	19 287 147	-	-	-	19 287 147
Investment in subsidiary company	8	-	22 636 583	-	22 636 583	-	-	-	22 636 583
Right of use assets	9	-	5 951 638	-	5 951 638	-	-	-	5 951 638
Amounts clearing from other banks	6	-	1 097 855	-	1 097 855	-	-	-	1 097 855
Total		-	347 287 799	-	347 287 799	-	-	-	347 287 799
Financial liabilities not measured at fair value									
Deposits and other accounts	13	(425 322 385)	-	-	(425 322 385)	-	-	-	(425 322 385)
Offshore borrowings	14	-	-	(5 947 347)	(5 947 347)	-	-	-	(5 947 347)
Trade and other payables	15	-	-	(7 947 346)	(7 947 346)	-	-	-	(7 947 346)
Lease liability	16	-	-	(6 025 115)	(6 025 115)	-	-	-	(6 025 115)
Amounts clearing to other banks	15	-	-	(1 028 634)	(1 028 634)	-	-	-	(1 028 634)
Total		(425 322 385)	-	(20 948 442)	(446 270 827)	-	-	-	(446 270 827)

31 December 2017	Note	CARRYING AMOUNT				FAIR VALUE			
		Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets measured at fair value									
Equity securities	7	6 259 476	-	-	6 259 476	4 961 626	-	1 297 850	6 256 476
Treasury bills	4	117 122 283	-	-	117 122 283	-	11 428 237	105 694 046	117 122 283
Total		123 381 759	-	-	123 381 759	4 961 626	11 428 237	106 991 896	123 381 759
Financial assets not measured at fair value									
Cash and cash equivalents	2	-	73 464 239	-	73 464 239	-	-	-	73 464 239
Money market investments	3	-	33 000 000	-	33 000 000	-	-	-	33 000 000
Treasury Bills	4	-	38 822 908	-	38 822 908	-	-	-	38 822 908
Advances and other accounts	5	-	97 748 186	-	97 748 186	-	-	-	97 748 186
Trade and other receivables	6	-	12 430 349	-	12 430 349	-	-	-	12 430 349
Investment securities	7	-	13 361 275	-	13 361 275	-	-	-	13 361 275
Investment in subsidiary company	8	-	22 657 722	-	22 657 722	-	-	-	22 657 722
Amounts clearing from other banks		-	1 950 189	-	1 950 189	-	-	-	1 950 189
Total		-	293 434 868	-	293 434 868	-	-	-	293 434 868
Financial liabilities not measured at fair value									
Deposits and other accounts	13	(355 174 341)	-	-	(355 174 341)	-	-	-	(355 174 341)
Trade and other payables	15	-	-	(8 553 675)	(8 553 675)	-	-	-	(8 553 675)
Total		(355 174 341)	-	(8 553 675)	(8 908 816)	-	-	-	(8 908 816)

26.2 Interest gap

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Carrying amount
	US\$	US\$	US\$	US\$	US\$

As at 31 December 2018

ASSETS					
Cash and short term funds	2 616 309	-	25 000 000	-	27 616 309
Money market investments	10 000 000	-	-	-	10 000 000
Treasury bills	2 000 000	45 842 504	40 952 009	105 552 838	194 347 351
Advances and other accounts	18 859 495	10 867 268	9 169 888	74 700 367	113 597 018
Investment securities	-	-	-	25 500 817	25 500 817
Total	33 475 804	56 709 772	75 121 897	205 754 022	371 061 495
LIABILITIES					
Deposits and other accounts	357 429 405	63 714 517	4 148 634	29 829	425 322 385
Offshore borrowings	-	-	-	5 947 347	5 947 347
Total	357 429 405	63 714 517	4 148 634	5 977 176	431 269 732
Period gap	(323 953 601)	(7 004 745)	70 973 263	199 776 846	(60 208 237)
Cumulative gap	(323 953 601)	(330 958 346)	(259 985 083)	(60 208 237)	-

As at 31 December 2017

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

26.3 Liquidity risk

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Gross nominal inflow/(outflow)	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$

As at 31 December 2018

FINANCIAL ASSETS BY TYPE

Cash and cash equivalents	42 932 656	37 245 809	45 184 963	-	125 363 428	124 760 277
Money market investments	10 005 000	-	-	-	10 005 000	10 000 000
Treasury bills	2 000 548	46 175 952	42 838 852	125 933 050	216 948 402	194 347 351
Advances and other accounts	18 864 115	11 127 226	9 515 126	80 289 300	119 795 767	113 597 018
Investment securities	-	-	-	25 500 817	25 500 817	25 500 817
Total	73 802 319	94 548 987	97 538 941	231 723 167	497 613 414	468 205 463

FINANCIAL LIABILITIES BY TYPE

Deposits from other accounts	357 801 492	64 162 992	4 177 907	29 863	426 172 254	425 322 385
Offshore borrowings	-	-	-	7 467 305	7 467 305	5 947 347
Trade and other payables	9 603 776	7 428 739	83 724	13 073 944	30 190 183	30 190 183
Total	367 405 268	71 591 731	4 261 631	20 571 112	463 829 742	461 459 915

Period gap	(293 602 949)	22 957 256	93 277 310	211 152 055	33 783 672	6 745 548
Cumulative gap	(293 602 949)	(270 645 693)	(177 376 383)	33 783 672	-	-

26.3 Liquidity risk (continued)

	Up to 1 month	2 to 6 months	7 to 12 months	Above 12 months	Gross nominal inflow/(outflow)	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$

As at 31 December 2017

FINANCIAL ASSETS BY TYPE

Cash and cash equivalents	68 872 898	4 591 341	-	-	73 464 239	73 464 239
Money market investments	23 500 000	1 500 000	8 000 000	-	33 000 000	33 000 000
Treasury bills	-	21 856 412	36 459 598	118 596 689	176 912 699	155 945 191
Advances and other accounts	28 167 668	14 151 510	15 309 621	43 930 767	101 559 566	97 748 186
Investment securities	-	-	-	19 620 751	19 620 751	19 620 751
Total	120 540 566	42 099 263	59 769 219	182 148 207	404 557 255	379 778 367

FINANCIAL LIABILITIES BY TYPE

Deposits from other accounts	272 419 124	71 651 650	9 525 056	2 597 571	356 193 401	355 174 341
Trade and other payables	7 463 921	5 028 659	234 035	12 253 573	24 980 188	24 980 188
Total	279 883 045	76 680 309	9 759 091	14 851 144	381 173 589	380 154 529

Period gap	(159 342 479)	(34 581 046)	50 010 128	167 297 063	23 383 666	(376 162)
Cumulative gap	(159 342 479)	(193 923 525)	(143 913 397)	23 383 666	-	-

26.4 Liquidity risk

	31 Dec 2018	Restated
	US\$	31 Dec 2017
	US\$	US\$
Liquidity ratios		
Total liquid assets	346 085 563	270 409 430
Total liabilities to the public	425 322 385	355 174 341
Liquidity ratio	81%	76%
Average for the year	80%	70%
Maximum for the year	83%	77%
Minimum for the year	72%	64%
Minimum statutory liquidity ratio	30%	30%

26.5 Foreign exchange rate risk

Foreign currency position

The carrying amount of the Bank's non United State dollar monetary assets and liabilities as at 31 December 2018 were as follows:

	31 Dec 2018	Restated
	US\$	31 Dec 2017</



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STATEMENT OF FINANCIAL POSITION As at 31 December 2018

		31 Dec 2018 US\$	31 Dec 2017 US\$
ASSETS			
Cash and short term funds	1	18 071 482	2 819 671
Money market investments	2	-	16 300 000
Loans and other advances	3	10 144 819	8 341 119
Inventories, trade and other receivables	4	797 829	1 127 061
Investment securities	5	120 742	95 897
Right of use assets	6	92 940	-
Investment properties	7	7 548 500	6 531 500
Investment in subsidiaries	8	5 527 766	5 346 772
Property and equipment	9	1 058 661	967 526
Total assets		43 362 739	41 529 546
LIABILITIES			
Deposits from customers	10	20 835 445	20 474 079
Trade and other payables	11	3 156 749	2 234 429
Operating lease liability	12	93 037	-
Deferred tax liabilities	13	417 925	361 575
Total liabilities		24 503 156	23 070 084
EQUITY AND RESERVES			
Share capital	14	954 814	954 814
Share premium	14	8 896 953	8 896 953
Reserves		9 007 816	8 607 695
Total equity		18 859 583	18 459 462
Total equity and liabilities		43 362 739	41 529 546

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

		31 Dec 2018 US\$	31 Dec 2017 US\$
Interest and related income	15.1	1 784 291	2 352 546
Interest and related expense	15.2	(360 144)	(367 691)
Net interest income		1 424 147	1 984 855
(Allowance for loan impairment) / net recoveries	16	(408 052)	100 060
Net income from lending activities		1 016 095	2 084 915
Commissions, fees and other income	17	3 671 643	3 578 133
Fair value adjustment	18	1 222 839	473 701
Total income		5 910 577	6 136 749
Operating expenses	19	(5 438 075)	(4 945 664)
Profit before taxation		472 502	1 191 085
Income tax expense	20	(45 997)	(866)
Profit for the year		426 505	1 190 219
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Gains on property revaluation		207 051	4 184
Related tax		(10 353)	(209)
Other comprehensive income for the year, net of tax		196 698	3 975
Total comprehensive income for the year		623 203	1 194 194
Earnings per share			
Basic and fully diluted earnings per share (US cents)		0.45	1.25

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

	Share capital US\$	Share premium US\$	Revaluation reserve US\$	General reserve US\$	Retained income US\$	Total US\$
Balance at 1 January 2017	954 814	8 896 953	22 274	-	7 749 120	17 623 161
Profit or loss						
Profit for the period	-	-	-	-	1 190 219	1 190 219
Other comprehensive income, net of tax						
Revaluation reserve	-	-	3 975	-	-	3 975
Transactions with owners of the Society						
Dividends paid	-	-	-	-	(357 893)	(357 893)
Other movements						
Regulatory reserve in respect of doubtful debts	-	-	-	26 559	(26 559)	-
Balance at 1 January 2018	954 814	8 896 953	26 249	26 559	8 554 887	18 459 462
Change on initial application of IFRS 9	-	-	-	-	(34 310)	(34 310)
Change on initial application of IFRS 16	-	-	-	-	(1 522)	(1 522)
Restated balance at 1 January 2018	954 814	8 896 953	26 249	26 559	8 519 055	18 423 630
Profit or loss						
Profit for the period	-	-	-	-	426 505	426 505
Other comprehensive income, net of tax						
Revaluation reserve	-	-	196 698	-	-	196 698
Transactions with owners of the Society						
Dividends paid	-	-	-	-	(187 250)	(187 250)
Other movements						
Regulatory reserve in respect of doubtful debts	-	-	-	(26 559)	26 559	-
Balance as at 31 December 2018	954 814	8 896 953	222 947	-	8 784 869	18 859 583

STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	31 Dec 2018 US\$	31 Dec 2017 US\$
Cash generated from operating activities	13 863 806	(425 579)
Interest and related income received	1 784 291	2 352 546
Interest related income paid	(360 144)	(367 691)
Interest expense on operating lease liability	(8 458)	-
Net cash generated from operating activities	15 279 495	1 559 276
Cash flows from investing activities		
Proceeds from disposals of property and equipment	5 556	9 178
Purchase of property and equipment	(25 184)	(14 023)
Purchase of investment property	-	(14 742)
Dividends received	179 194	350 466
Net cash used in investing activities	159 566	330 879
Cash flows from financing activities		
Dividend paid	(187 250)	(357 893)
Net cash used in financing activities	(187 250)	(357 893)
Net increase in cash and cash equivalents	15 251 811	1 532 262
Cash and cash equivalents at the beginning of the year	2 819 671	1 287 409
Cash and cash equivalents at 31 December 2018	18 071 482	2 819 671

NOTES TO THE AUDITED FINANCIAL STATEMENTS For the year ended 31 December 2018

	31 Dec 2018 US\$	31 Dec 2017 US\$
1. CASH AND CASH EQUIVALENTS		
Cash on hand	189 423	105 407
Local bank accounts	607 077	2 714 264
Balances with the RBZ	17 274 892	-
	18 071 482	2 819 671
2. MONEY MARKET PLACEMENTS		
Fixed deposits	-	16 300 000

Fixed deposits are investments in money market instruments on an unsecured basis. Fixed deposits on average run for 30 days on an average interest rate of 2% per annum (2017: 2%).

These money market placements are short term in nature and the carrying amount approximates the fair value, thus these have been classified as level 2 financial instruments in the fair value hierarchy.

3. LOANS AND OTHER ADVANCES

Categories of loans and advances at amortised cost

	31 Dec 2018 US\$	31 Dec 2017 US\$
Mortgages loans		
Residential properties	4 399 195	5 359 716
Commercial properties	85 638	123 129
	4 484 833	5 482 845
Other loans and advances		
Loans and overdrafts	6 949 991	3 705 918
Gross loans and advances	11 434 824	9 188 763
Less: Allowance for loan impairment	(1 290 005)	(622 266)
Less: Interest reserve	-	(225 378)
Net loans and advances	10 144 819	8 341 119

3.1 Determination of carrying amount

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

3.2 Maturity analysis

	31 Dec 2018 US\$	31 Dec 2017 US\$
- Within 1 month	1 464 174	571 509
- Between 2 and 6 months	351 196	474 468
- Between 7 and 12 months	911 462	1 675 702
- After 12 months	8 707 992	6 467 084
	11 434 824	9 188 763

3.3 Loans and advances to customers by business line

	31 Dec 2018 US\$	31 Dec 2017 US\$
Mortgage lending	4 484 833	5 482 845
Consumer lending	6 763 347	3 452 909
Small business lending	186 644	253 009
	11 434 824	9 188 763

3.4 Mortgage loans

Mortgage advances were spread as follows:

Type of property:	31 Dec 2018 US\$	31 Dec 2017 US\$
High density	340 672	723 404
Medium density	1 448 667	1 580 211
Low density	2 609 856	3 056 101
Commercial	85 638	123 129
	4 484 833	5 482 845

3.5 Non-performing debt

	31 Dec 2018 US\$	31 Dec 2017 US\$
Non-performing loans and advances	741 353	811 626
Less: Allowance for loan impairment	(247 031)	(416 149)
Less: Interest in reserve	-	(225 378)
Value to be received from security held	494 322	170 099

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 Society 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\$634 567 as at 31 December 2018 (2017: US\$252 480).



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	31 Dec 2018 US\$	Percentage contribution	31 Dec 2017 US\$	Percentage contribution
3.6 Sectoral analysis				
Private	11 248 180	98%	8 935 754	97%
Manufacturing	12 056	0%	26 849	0%
Services	174 588	2%	226 160	2%
	11 434 824	100%	9 188 763	100%

3.7 Internal rating scale of loans and advances

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

	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$	2017 Total per IAS 39 US\$
Total loans and advances					
Performing					
Good (AAA to BBB-)	10 273 205	116 144	156 530	10 545 879	7 619 082
Special mention (BB+ to CCC-)	98 924	123 107	7 466	229 497	221 609
Non-performing (CC+ to D)	-	-	659 448	659 448	1 348 072
Total loans and advances	10 372 129	239 251	823 444	11 434 824	9 188 763
Mortgage lending					
Good (AAA to BBB-)	3 560 459	26 451	135 406	3 722 316	4 557 121
Special mention (BB+ to CCC-)	298 274	115 587	3 348	417 209	606 990
Non-performing (CC+ to D)	-	-	345 306	345 306	318 734
Total mortgage lending	3 858 733	142 038	484 060	4 484 831	5 482 845
Consumer lending					
Good (AAA to BBB-)	6 410 160	87 986	21 071	6 519 217	3 075 766
Special mention (BB+ to CCC-)	-	7 518	4 118	11 636	55 473
Non-performing (CC+ to D)	-	-	232 494	232 494	321 670
Total consumer lending	6 410 160	95 504	257 683	6 763 347	3 452 909
Small business lending					
Good (AAA to BBB-)	103 236	1 709	52	104 997	160 709
Non-performing (CC+ to D)	-	-	81 649	81 649	92 300
Total Small business lending	103 236	1 709	81 701	186 646	253 009

3.8 Impairment allowances for loans and advances

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

	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$	2017 Total per IAS 39 US\$
Total loans and advances					
Performing					
Good (AAA to BBB-)	961 447	10 704	53 490	1 025 641	206 118
Special mention (BB+ to CCC-)	55 378	24 341	1 432	81 151	80 910
Non-performing (CC+ to D)	-	-	183 213	183 213	335 238
Total loans and advances ECL	1 016 825	35 045	238 135	1 290 005	622 266
Mortgage lending					
Good (AAA to BBB-)	516 449	6 944	48 200	571 593	80 421
Special mention (BB+ to CCC-)	43 706	24 340	1 020	69 066	73 432
Non-performing (CC+ to D)	-	-	123 902	123 902	98 028
Total mortgage lending ECL	560 155	31 284	173 122	764 561	251 881
Consumer lending					
Good (AAA to BBB-)	442 692	3 651	5 268	451 611	122 483
Special mention (BB+ to CCC-)	11 674	1	414	12 089	7 479
Non-performing (CC+ to D)	-	-	25 759	25 759	179 593
Total consumer lending ECL	454 366	3 652	31 441	489 459	309 555
Small business lending					
Good (AAA to BBB-)	2 304	109	22	2 435	3 214
Non-performing (CC+ to D)	-	-	33 550	33 550	57 616
Total small business lending ECL	2 304	109	33 572	35 985	60 830

4. INVENTORIES, TRADE AND OTHER RECEIVABLES

	31 Dec 2018 US\$	31 Dec 2017 US\$
Interest receivable	1 654	1 654
Sundry debtors and other accounts	377 839	426 041
Inventories	270 000	270 000
Intercompany balances	1 760	429 366
Prepayments	160 056	-
	797 829	1 127 061

5. INVESTMENT SECURITIES

5.1 Carrying amount of investment securities

	31 Dec 2018 US\$	31 Dec 2017 US\$
Assets designated "at FVTPL"		
Unlisted equity	120 742	95 897

5.2 Movements in investment securities

	31 Dec 2018 US\$	31 Dec 2017 US\$
Balance at the beginning of year	95 897	37 988
Fair value adjustments	24 845	57 909
Balance at end of year	120 742	95 897

5.3 Measurement of fair value

The fair value of the investment securities has been categorized into Level 3 of the fair value hierarchy.

	31 Dec 2018 US\$	31 Dec 2017 US\$
Initial adoption of IFRS 16	123 920	-
Depreciation charge	(30 980)	-
Balance at year end	92 940	-

6. RIGHT OF USE ASSETS

	31 Dec 2018 US\$	31 Dec 2017 US\$
Initial adoption of IFRS 16	123 920	-
Depreciation charge	(30 980)	-
Balance at year end	92 940	-

7. INVESTMENT PROPERTIES

7.1 Carrying amount of investment properties

	31 Dec 2018 US\$	31 Dec 2017 US\$
Assets designated "at FVTPL"		
Fair value at beginning of year	6 531 500	6 510 000
Additions	-	14 742
Fair value gain	1 017 000	6 758
Fair value at end of year	7 548 500	6 531 500

7.2 Measurement of fair value

The fair value of investment properties of US\$7 548 500 has been categorised under level 3 of the fair value hierarchy based on the inputs to the valuation technique used and the significant amount of judgement applied. The reconciliation of carrying amount shown above reconciles the opening balance and the closing balances for level 3 fair values.

8. INVESTMENT IN SUBSIDIARIES

8.1 Carrying amount of investment in subsidiaries

	31 Dec 2018 US\$	31 Dec 2017 US\$
Assets designated "at FVTPL"		
Fair value at beginning of year	5 346 772	4 937 738
Fair value gain	180 994	409 034
Fair value at end of year	5 527 766	5 346 772

8.2 Measurement of fair value

The fair value of investment properties of US\$5 527 766 has been categorised under level 3 of the fair value hierarchy based on the inputs to the valuation technique used and the significant amount of judgement applied. The reconciliation of carrying amount shown above reconciles the opening balance and the closing balances for level 3 fair values.

9. PROPERTY AND EQUIPMENT

	Freehold properties US\$	Leasehold improvements US\$	Motor vehicles US\$	Office furniture & equipment US\$	Computer equipment US\$	Total US\$
2018						
Cost/valuation						
Balance at 1 January 2018	723 681	196 796	185 198	461 583	309 712	1 876 970
Additions	-	13 394	-	163	11 627	25 184
Revaluation gains	114 929	-	38 021	54 101	-	207 051
Disposals	-	-	-	(15 622)	(24 062)	(39 684)
Balance at 31 December 2018	838 610	210 190	223 219	500 225	297 277	2 069 521
Accumulated depreciation and impairment charges						
Balance at 1 January 2018	23 681	128 764	179 853	314 629	262 517	909 444
Charge to statement of profit or loss	4 929	18 686	-	45 514	4 566	73 694
Impairment charge	-	51 870	-	-	9 915	61 785
Disposals	-	-	-	(12 408)	(21 656)	(34 063)
Balance at 31 December 2018	28 610	199 320	179 853	347 736	255 342	1 010 860
Carrying amount 31 December 2018	810 000	10 870	43 366	152 490	41 935	1 058 661
2017						
Cost/valuation						
Balance at 1 January 2017	719 497	196 796	215 498	469 407	303 719	1 904 917
Additions	-	-	-	6 978	7 045	14 023
Revaluation gain	4 184	-	-	-	-	4 184
Disposals	-	-	(30 300)	(14 802)	(1 052)	(46 154)
Balance at 31 December 2017	723 681	196 796	185 198	461 583	309 712	1 876 970
Accumulated depreciation and impairment charges						
Balance at 1 January 2017	19 497	110 972	204 599	278 258	260 345	873 671
Charge to statement of profit or loss	4 184	17 792	2 524	46 817	3 119	74 436
Disposals	-	-	(27 270)	(10 446)	(947)	(38 663)
Balance at 31 December 2017	23 681	128 764	179 853	314 629	262 517	909 444
Carrying amount 31 December 2017	700 000	68 032	5 345	146 954	47 195	967 526

10. DEPOSIT FROM CUSTOMERS

	31 Dec 2018 US\$	31 Dec 2017 US\$
10.1 Deposit by type		
Savings accounts	15 394 364	15 053 710
Fixed deposits	5 441 081	5 420 369
	20 835 445	20 474 079
10.2 Maturity analysis		
On demand	12 107 705	11 328 738
Within 1 month	3 189 809	2 738 165
1 month to 6 months	21 843	11 785
6 months to 12 months	81 126	32 033
More than 1 year	5 434 962	6 363 358
	20 835 445	20 474 079

	31 Dec 2018 US\$	% Contribution	31 Dec 2017 US\$	% Contribution
10.3 Sectoral analysis				
Private individuals	13 635 501	66%	14 171 909	69%
Financial institutions	183 017	1%	370 191	2%
Communication	94 307	0%	92 414	0%
Manufacturing	165 661	1%	133 611	1%
Distribution	3 006 661	14%	2 858 518	14%
Construction	24 250	0%	912 426	4%
Agriculture	1 213 153	6%	1 165 037	6%
Services	2 512 895	12%	769 973	4%
	20 835 445	100%	20 474 079	100%



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	31 Dec 2018 US\$	31 Dec 2017 US\$
11. TRADE AND OTHER PAYABLES		
Creditors and other accounts	2 395 694	1 455 015
Deferred income	306 200	235 060
Intercompany balances	454 855	544 354
	<u>3 156 749</u>	<u>2 234 429</u>
12. LEASE LIABILITY		
Initial adoption of IFRS 16	125 441	-
Interest expense	8 458	-
Lease payments	(40 862)	-
Balance at year end	<u>93 037</u>	<u>-</u>
13. DEFERRED TAX LIABILITIES		
Deferred tax movement		
Balance at the beginning of year	361 575	360 500
Charge to the statement of profit or loss	45 997	866
From revaluation of property	10 353	209
Balance at the end of year	<u>417 925</u>	<u>361 575</u>
Deferred tax comprises:		
Property and equipment	40 500	35 000
Investment property	377 425	326 575
	<u>417 925</u>	<u>361 575</u>
14. EQUITY AND RESERVES		
14.1 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
Share premium	8 896 953	8 896 953
14.2 Capital adequacy ratio		
Share capital	954 814	954 814
Share premium	8 896 953	8 896 953
Retained earnings	8 784 869	8 554 887
Tier 1 Capital	<u>18 636 636</u>	<u>18 406 654</u>
Revaluation reserves	222 947	26 249
General reserves	-	26 559
Tier 2 Capital	<u>222 947</u>	<u>52 808</u>
Total capital base	<u>18 859 583</u>	<u>18 459 462</u>
Credit risk weighted assets	22 169 330	23 432 151
Operational risk equivalent assets	8 613 875	10 085 883
Total risk weighted assets	<u>30 783 205</u>	<u>33 518 034</u>
Tier 1	60.54%	54.92%
Tier 2	0.72%	0.16%
Capital adequacy ratio	61.27%	55.07%
15. NET INTEREST AND RELATED INCOME		
15.1 Interest and related income		
Mortgage advances	434 612	920 191
Consumer loans	672 667	947 883
Short term funds and securities	666 201	460 035
Other	10 812	24 437
	<u>1 784 291</u>	<u>2 352 546</u>
15.2 Interest and related expense		
Fixed deposits	282 802	313 276
Savings accounts	77 342	54 415
	<u>360 144</u>	<u>367 691</u>
Net interest and related income	<u>1 424 147</u>	<u>1 984 855</u>
16. LOAN IMPAIRMENT ALLOWANCE MOVEMENT		
Balance at beginning of the year	622 266	1 209 696
Opening IFRS 9 adjustment	259 687	-
Write-offs charged to provision	-	(487 370)
Charge / (credit) to statement of profit or loss	408 052	(100 060)
Balance at end of year	<u>1 290 005</u>	<u>622 266</u>
17. COMMISSIONS, FEES AND OTHER INCOME		
Commissions and fees	3 094 044	2 900 045
Operating lease rental income	271 318	292 334
(Loss) / profit on disposal of assets	(64)	1 687
Dividend income	179 194	350 466
Other	127 251	33 601
	<u>3 671 643</u>	<u>3 578 133</u>
18. FAIR VALUE ADJUSTMENT		
Fair value adjustment on:		
Investment properties	1 017 000	6 758
Unlisted equity	24 845	57 909
Subsidiaries	180 994	409 034
	<u>1 222 839</u>	<u>473 701</u>

	31 Dec 2018 US\$	31 Dec 2017 US\$
19. OPERATING EXPENSES		
Operating expenses comprise the following expenses:		
Staff costs	1 059 622	920 122
Communication expenses	16 581	16 526
Computer and information technology	646 038	440 302
Occupation expenses	195 697	206 317
Transport costs	20 920	14 967
Security costs	91 200	105 028
Administration expenses	3 407 747	3 242 402
	<u>5 438 075</u>	<u>4 945 664</u>
Included in administration expenses are the following:		
Depreciation of property and equipment	73 694	74 436
Directors fees	28 384	28 384
Auditor's remuneration	74 414	80 668
for current year interim audit	24 686	24 493
for half year review	8 121	10 005
for prior year final audit	41 607	46 170
20. INCOME TAX EXPENSE		
Deferred tax expense	45 977	866
Total tax expense recognised in statement of profit or loss	<u>45 977</u>	<u>866</u>
21. RISK MANAGEMENT		
21.1 Financial assets and financial liabilities classification and fair value		
The following table shows the carrying amounts and the fair value of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.		

	CARRYING AMOUNT			FAIR VALUE			
	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$

As at 31 December 2018

	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets measured at fair value								
Investments securities	120 742	-	-	120 742	-	-	120 742	120 742

	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets not measured at fair value								
Trade and other receivables	-	797 829	-	797 829				
Loans and advances	-	10 144 819	-	10 144 819				
Cash and cash equivalents	-	18 071 482	-	18 071 482				
	-	29 014 130	-	29 014 130				

	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(3 156 749)	(3 156 749)				
Deposits from customers	-	-	(20 835 445)	(20 835 445)				
	-	-	(23 992 194)	(23 992 194)				

	CARRYING AMOUNT			FAIR VALUE			
	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$

As at 31 December 2017

	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets measured at fair value								
Investments securities	95 897	-	-	95 897	-	-	95 897	95 897

	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets not measured at fair value								
Trade and other receivables	-	1 127 061	-	1 127 061				
Loans and advances	-	8 341 119	-	8 341 119				
Cash and cash equivalents	-	2 819 671	-	2 819 671				
	-	12 287 851	-	12 287 851				

	Designated at fair value US\$	Amortised cost US\$	Financial liabilities US\$	Total US\$	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(2 234 430)	(2 234 430)				
Deposits from customers	-	-	(20 474 079)	(20 474 079)				
	-	-	(22 708 509)	(22 708 509)				

21.2 Interest rate risk

Interest rate gap analysis	1 month US\$	2 to 6 months US\$	7 to 12 months US\$	Above 12 months US\$	Carrying amount US\$
----------------------------	-----------------	-----------------------	------------------------	-------------------------	-------------------------

As at December 2018

Assets	1 month US\$	2 to 6 months US\$	7 to 12 months US\$	Above 12 months US\$	Carrying amount US\$
Local bank accounts	16 953 241	-	-	-	16 953 241
Money market placements	-	-	-	-	-
Loans and advances	1 464 173	751 196	931 462	6 997 987	10 144 819
	18 417 414	751 196	931 462	6 997 987	27 098 059

Financial liability by type	1 month US\$	2 to 6 months US\$	7 to 12 months US\$	Above 12 months US\$	Carrying amount US\$
Deposits from customers	11 096 463	21 843	81 126	9 636 013	20 835 445
Sensitivity gap	7 320 951	729 353	850 336	(2 638 026)	6 262 614
Cumulative gap	7 320 951	8 050 304	8 900 640	6 262 614	-

As at December 2017

Assets	1 month US\$	2 to 6 months US\$	7 to 12 months US\$	Above 12 months US\$	Carrying amount US\$
Local bank accounts	2 714 264	-	-	-	2 714 264
Money market placements	16 300 000	-	-	-	16 300 000
Loans and advances	536 892	393 470	1 589 637	5 821 120	8 341 119
	19 551 156	393 470	1 589 637	5 821 120	27 355 383

Financial liability by type	1 month US\$	2 to 6 months US\$	7 to 12 months US\$	Above 12 months US\$	Carrying amount US\$
Deposits from customers	14 085 060	11 785	13 876	6 363 358	20 474 079
Sensitivity gap	5 466 096	381 685	1 575 761	(542 238)	6 881 304
Cumulative gap	5 466 096	5 847 781	7 423 542	6 881 304	-

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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21.3 Liquidity risk

Liquidity gap analysis	Up to 1 month US\$	2 to 6 months US\$	7 to 12 months US\$	Above 12 months US\$	Gross nominal inflow/ (outflow) US\$	Carrying amount US\$
As at 31 December 2018						
Assets						
Cash and cash equivalents	18 071 482	-	-	-	18 071 482	18 071 482
Money market placements	-	-	-	-	-	-
Loans and advances	1 464 173	351 196	911 462	20 721 997	22 448 828	10 144 818
Investment securities	-	-	-	120 742	120 742	120 742
	19 535 655	351 196	911 462	20 842 739	41 641 052	28 337 042
Financial liability by type						
Deposits from customers	9 996 463	21 843	81 126	11 977 225	22 076 657	20 835 445
Trade and other payables	-	3 156 748	-	-	3 156 748	3 156 748
	9 996 463	3 178 591	81 126	11 977 225	25 233 405	23 992 193
Period gap	9 996 463	(2 741 745)	830 336	8 865 514	16 407 647	4 344 850
Cumulative gap	9 996 463	6 797 446	7 627 782	16 407 647	-	-
As at 31 December 2017						
Assets						
Cash and cash equivalents	2 819 671	-	-	-	2 819 671	2 819 671
Money market placements	16 322 645	-	-	-	16 322 645	16 300 000
Loans and advances	1 339 498	495 462	1 903 852	12 563 481	16 302 293	8 341 119
Investment securities	-	-	-	95 897	95 897	95 897
	20 481 814	495 462	1 903 852	12 659 378	35 540 506	27 556 687
Financial liability by type						
Deposits from customers	13 990 101	11 805	13 945	6 999 694	21 015 545	20 474 079
Trade and other payables	-	2 234 430	-	-	2 234 430	2 234 430
	13 990 101	2 246 235	13 945	6 999 694	23 249 975	22 708 509
Period gap	6 491 713	(1 750 773)	1 889 907	5 659 684	12 290 531	4 848 178
Cumulative gap	6 491 713	4 740 940	6 630 847	12 290 531	-	-

21.4 Liquidity Ratios

	31 Dec 2018 US\$	31 Dec 2017 US\$
Total Liquid Assets	18 071 482	19 119 671
Deposits from customers	20 835 445	20 474 079
Liquidity ratio	87%	93%
Average for the period	80%	77%
Maximum for the period	112%	97%
Minimum for the period	54%	49%
Minimum statutory liquidity ratio	30%	30%

21.5 Foreign exchange risk

Sensitivity analysis to the exchange rates

Proforma statement of financial position sensitivity analysis

	As reported 31 Dec 2018 US\$1: ZWL1.00	Restated balance 31 Dec 2018 US\$1: ZWL2.50	Restated balance 31 Dec 2018 US\$1: ZWL3.00	Restated balance 31 Dec 2018 US\$1: ZWL3.50	Restated balance 31 Dec 2018 US\$1: ZWL4.00
ASSETS					
Cash and short term funds	18 071 482	18 091 542	18 098 228	18 104 915	18 111 601
Loans and other advances	10 144 819	10 144 819	10 144 819	10 144 819	10 144 819
Inventories, trade and other receivables	797 829	797 829	797 829	797 829	797 829
Investment securities	120 742	120 742	120 742	120 742	120 742
Right of use assets	92 940	92 940	92 940	92 940	92 940
Investment properties	7 548 500	18 871 250	22 645 500	26 419 750	30 194 000
Investment in subsidiaries	5 527 766	5 527 766	5 527 766	5 527 766	5 527 766
Property and equipment	1 058 661	2 646 653	3 175 983	3 705 314	4 234 644
Total assets	43 362 739	56 293 541	60 603 807	64 914 075	69 224 341
LIABILITIES					
Deposits from customers	20 835 445	20 855 505	20 862 191	20 868 878	20 875 564
Trade and other payables	3 156 749	3 156 749	3 156 749	3 156 749	3 156 749
Operating lease liability	93 037	93 037	93 037	93 037	93 037
Deferred tax liabilities	417 925	1 044 813	1 253 775	1 462 738	1 671 700
Total liabilities	24 503 156	25 150 104	25 365 752	25 581 402	25 797 050
EQUITY					
Share capital	954 814	954 814	954 814	954 814	954 814
Share premium	8 896 953	8 896 953	8 896 953	8 896 953	8 896 953
Revenue reserves	9 007 816	9 007 816	9 007 816	9 007 816	9 007 816
Functional currency translation reserve	-	12 283 854	16 378 472	20 473 090	24 567 708
Total equity	18 859 583	31 143 437	35 238 055	39 332 673	43 427 291
Total equity and liabilities	43 362 739	56 293 541	60 603 807	64 914 075	69 224 341

AUDITED FINANCIAL RESULTS 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
ASSETS		
Cash and cash equivalents	13 113	143 551
Funds on deposit	2 762 436	1 872 517
Inventories	15 860	20 722
Reinsurance claim receivable	5 000	15 000
Trade and other receivables	983 786	990 736
Financial assets		
At Fair Value Through Profit or Loss (FVTPL)	19 251 813	12 670 174
At Amortised cost	4 306 173	4 233 722
Investment properties	3 342 850	2 785 125
Operating Lease Right of use asset	631 423	-
Equity accounted investments	28 569 431	28 062 460
Intangible assets	736 468	497 028
Equipment	592 253	268 689
Total assets	61 210 606	51 559 724
LIABILITIES		
Life assurance funds	37 439 715	31 811 327
Trade and other payables	2 659 051	2 000 335
Provisions	421 813	209 745
Reinsurance premium payable	96 443	65 688
Taxation	47 729	59 985
Operating Lease Liability	632 083	-
Deferred tax liability	986 149	732 461
Total liabilities	42 282 983	34 879 541
EQUITY AND RESERVES		
Share capital	231 908	231 908
Share premium	4 431 623	4 431 623
Investment reserve	9 217 528	9 020 442
Revaluation reserve	508 637	347 375
Retained earnings	4 537 927	2 648 835
Total Equity	18 927 623	16 680 183
Total equity and liabilities	61 210 606	51 559 724

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
INCOME		
Gross premium income	13 750 160	11 721 110
Premiums ceded to reinsurers	(712 899)	(577 342)
Net premiums	13 037 261	11 143 768
Fair value gains on FVTPL financial instruments	3 092 676	2 191 221
Fair value gain on investment properties	557 725	50 475
Investment income	2 234 643	1 689 142
Profit on disposal of listed equity investments	614 850	141 572
Other income	182 187	127 509
Total income	19 719 342	15 343 687
Expenses and Policyholder Benefits		
Policyholders' benefits	(5 222 195)	(4 715 302)
Changes to policyholder liabilities	(5 628 388)	(3 561 431)
Operating expenses	(4 556 083)	(3 845 678)
Commissions	(1 956 630)	(1 691 876)
Profit share under bancassurance agreements	(118 953)	(22 219)
Total expenses and policyholder benefits	(17 482 249)	(13 836 506)
Operating profit	2 237 093	1 507 181
Share of profit of equity accounted investee net of tax	531 074	44 140
Profit before taxation	2 768 167	1 551 321
Income tax expense	(427 652)	(267 475)
Profit for the year	2 340 515	1 283 846
Other comprehensive income		
Revaluation of Property and Equipment	185 365	-
Share of other comprehensive loss of equity accounted investee net of tax	(24 103)	39 382
Other comprehensive income for the year	161 262	39 382
Total comprehensive income for the year	2 501 777	1 323 228

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital US\$	Share premium US\$	Revaluation reserve US\$	Investment reserve US\$	Retained earnings US\$	Total equity US\$
Balance at 31 December 2016	250 000	4 750 000	307 993	9 020 442	1 514 989	15 843 424
Total comprehensive income for the year	-	-	39 382	-	1 283 846	1 323 228
Share buy back	(18 092)	(318 377)	-	-	-	(336 469)
Dividend paid	-	-	-	-	(150 000)	(150 000)
Balance at 31 December 2017	231 908	4 431 623	347 375	9 020 442	2 648 835	16 680 183
Changes on early adoption of IFRS 16	-	-	-	-	(10 337)	(10 337)
Total comprehensive income for the year	-	-	161 262	-	2 340 515	2 501 777
Dividend paid	-	-	-	-	(244 000)	(244 000)
Transfer to investment reserve	-	-	-	197 086	(197 086)	-
Balance at 31 December 2018	231 908	4 431 623	508 637	9 217 528	4 537 927	18 927 623

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
Cash flows from operating activities		
Cash generated from operations	2 003 507	1 253 292
Cash generated/(used) to increase working capital	923 353	(440 347)
Cash generated from operating activities	2 926 860	812 945
Interest received	646 272	385 258
Dividends received	1 329 156	720 908
Taxation paid	(186 222)	(82 578)
Dividends paid	(244 000)	(150 000)
Cash generated from operating activities	4 472 066	1 686 533
Cash flows from investing activities		
Purchase of property and equipment	(252 358)	(20 651)
Purchase of intangible assets	(239 440)	(181 206)
Proceeds on disposal of equipment	3 392	340
Purchase of financial assets at amortised cost	(1 109 196)	(1 390 203)
Proceeds from maturity of financial assets at amortised cost	1 036 743	673 869
Purchase of equity investments	(3 747 541)	(3 195 081)
(Purchase)/ Maturity of funds on deposit	(889 919)	2 192 216
Proceeds on disposal of listed equity investments	873 428	293 086
Cash used in investing activities	(4 324 891)	(1 627 630)
Cash flows from financing activities		
Operating Lease payment	(277 613)	-
Cash used in financing activities	(277 613)	-
(Decrease)/ Increase in cash and cash equivalents	(130 438)	58 903
Cash and cash equivalents at the beginning of the year	143 551	84 648
Cash and cash equivalents at the end of year	13 113	143 551

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	31 Dec 2018 US\$	31 Dec 2017 US\$
1. FUNDS ON DEPOSIT		
Fixed deposits	2 762 436	1 872 517
These are money market placements with terms of not more than a year with interest rates ranging from 2% to 3% per annum.		



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	31 Dec 2018 US\$	31 Dec 2017 US\$
2. TRADE AND OTHER RECEIVABLES		
Prepayments	12 841	12 291
Related party balances	26 716	18 744
Rent debtors	38 350	(87)
Sundry debtors	501 040	545 919
Advances for sales agents	467 210	445 662
Allowance for credit losses	(62 371)	(31 793)
	983 786	990 736
3. INVESTMENTS		
Designated as at FVTPL		
Equity securities - Listed	12 760 433	6 345 744
Equity securities - Unlisted	6 070 245	5 877 541
Gold Fund	421 135	446 889
Total	19 251 813	12 670 174
At Amortised cost		
Bonds	1 673 048	563 853
Treasury bills	2 571 865	3 394 300
Debentures	19 856	18 944
Paid up Permanent	41 404	256 625
Total	4 306 173	4 233 722

Fair Value Measurement

The table below summarises the various assets measured at fair value and the level on the fair value hierarchy:

	31 Dec 2018 US\$	31 Dec 2017 US\$
Level 1		
Quoted equities	12 760 433	6 345 744
Gold Fund	421 135	446 889
Level 3		
Unquoted equities	6 070 245	5 877 541
Bonds	1 673 048	563 853
Treasury bills	2 571 865	3 394 300
Debentures	19 856	18 944
Paid up Permanent	41 404	256 625

3.1 Reconciliation of carrying amount

	Equities -listed US\$	Equities -unlisted US\$	Gold Fund US\$	At amortised cost US\$	Total US\$
2018					
Opening Balance	6 345 744	5 877 541	446 889	4 233 722	16 903 896
Additions	3 747 541	-	-	1 109 196	4 856 737
Disposals	(258 578)	-	-	(1 036 743)	(1 295 321)
Fair value gains	2 925 726	192 704	(25 754)	-	3 092 676
Closing balance	12 760 433	6 070 245	421 135	4 306 175	23 557 988

	31 Dec 2018 US\$	31 Dec 2017 US\$
4. INVESTMENT PROPERTIES		
Reconciliation of carrying amount		
Opening balance as at 1 January	2 785 125	1596 750
Fair value adjustment	557 725	50 475
Reclassification from non current assets held for sale	-	1 137 900
Closing balance as at 31 December	3 342 850	2 785 125
5. RIGHT OF USE ASSETS		
Initial adoption of IFRS 16	1 052 371	-
Depreciation charge	(420 948)	-
Balance at year end	631 423	-
6. EQUITY ACCOUNTED INVESTMENTS		

	Associate US\$	Subsidiary US\$	Total US\$
Balance at 1 January 2018			
Share of profit / (loss) for the year	547 165	(16 091)	531 074
Share of other comprehensive loss	-	(24 103)	(24 103)
Balance at 31 December 2018	28 469 599	99 831	28 569 431
Balance at 1 January 2017			
Share of profit / (loss) for the year	60 994	(16 855)	44 140
Share of other comprehensive income	-	39 382	39 382
Balance at 31 December 2017	27 922 434	140 025	28 062 460

	31 Dec 2018 US\$	31 Dec 2017 US\$
7. INTANGIBLE ASSETS		
Cost		
Balance at 1 January	865 543	684 337
Additions	239 440	181 206
Balance at 31 December	1 104 983	865 543
Amortisation and impairment losses		
Balance as at 1 January	368 515	368 515
Amortisation	-	-
Balance as at 31 December	368 515	368 515
Net book value as at 31 December	736 468	497 028

8. EQUIPMENT

	Motor vehicles US\$	Equipment furniture & fittings US\$	Computers US\$	Total US\$
2018				
Cost or valuation				
At 1 January 2018	344 077	340 003	233 393	917 473
Additions	175 546	43 057	33 755	252 358
Revaluation	72 451	57 808	55 107	185 365
Disposals	(118 356)	(724)	-	(119 080)
At 31 December 2018	473 718	440 144	322 255	1 236 117
Accumulated depreciation and impairment				
Balance at 1 January 2018	234 050	221 172	193 562	648 784
Charge for the year	53 006	32 875	16 032	101 913
Disposal	(106 520)	(313)	-	(106 833)
Balance at 31 December 2018	180 536	253 734	209 594	643 864
Carrying amount				
Balance at 31 December 2017	110 027	118 831	39 831	268 689
Balance at 31 December 2018	293 182	186 410	112 661	592 253

	31 Dec 2018 US\$	31 Dec 2017 US\$
9. LIFE ASSURANCE FUNDS		
At 1 January	31 811 327	28 249 896
Changes to policyholder liabilities	5 628 388	3 561 431
At 31 December	37 439 715	31 811 327
Life assurance funds are supported by the following net assets		
Listed equities	12 042 091	5 992 857
Unlisted equities	2 704 018	2 624 140
Gold fund	375 479	398 440
Government and public utilities stock	4 265 322	3 919 339
Investment properties	1 482 960	1 315 752
Funds on deposit	5 331 440	5 582 193
Equity accounted investments	11 776 387	11 550 053
Trade and other receivables	246 941	935 891
Gross assets	38 224 638	32 318 665
Less: Deferred tax liabilities	(281 692)	(171 682)
Trade and other payables	(468 833)	(296 117)
Income tax payable	(34 398)	(39 539)
Net assets	37 439 715	31 811 327

10. TRADE AND OTHER PAYABLES

Policyholders claims intimated but not paid	432 019	368 203
Other liabilities	704 289	366 117
Related parties	870 759	852 644
Unearned Premium	651 984	413 371
	2 659 051	2 000 335

11. OPERATING LEASE LIABILITY

Initial adoption of IFRS 16	852 234	-
Interest expense	57 462	-
Lease payments	(277 613)	-
Balance at year end	632 083	-

12. GROSS PREMIUM INCOME

Individual life	6 019 924	5 365 229
Group business	7 730 236	6 355 881
	13 750 160	11 721 110

13. PREMIUMS CEDED TO REINSURERS

Individual life	121 900	133 841
Group business	590 999	443 501
	712 899	577 342

14. INVESTMENT INCOME

Interest income on held to maturity financial instruments	646 272	790 745
Rentals from investment properties	259 215	177 489
Dividends from financial assets designated at fair value through profit or loss	1 329 156	720 908
	2 234 643	1 689 142

15. OTHER INCOME

Loss on disposal of property and equipment	(8 855)	(1 490)
Sundry income	18 330	705
Reinsurance commission	144 646	105 313
Asset Management income	28 066	22 981
	182 187	127 509

16. POLICYHOLDERS' BENEFITS

Claims during the year were as follows:-		
Death and disability benefits	2 248 838	2 195 065
Maturities	314 498	236 257
Annuities	162 706	168 203
Surrenders and pensions withdrawals	2 496 153	2 115 777
	5 222 195	4 715 302

17. OPERATING EXPENSES

Staff expenses	2 180 643	1 895 866
Administration expenses	1 865 526	1 732 366
Depreciation of Plant and Equipment	101 913	78 111
Depreciation of Operating Lease Right of Use Asset	210 474	-
Operating lease liability finance charge	57 462	-
Directors fees	48 516	46 570
Audit fees	91 549	92 765
	4 556 083	3 845 678



18. RISK MANAGEMENT

18.1 Liquidity risk gap analysis

	Up to 1 Month US\$	2 to 12 Months US\$	Above 12 Months US\$	Total US\$
Assets				
Bank and cash	13 113	-	-	13 113
Funds on deposit	2 349 154	220 468	192 814	2 762 436
Operating Lease Right of Use Asset	-	-	631 423	631 423
At Amortised cost	2 223	1 111 941	3 192 011	4 306 175
Investments-At Fair Value	-	13 181 568	6 070 245	19 251 813
Trade and other receivables	-	983 786	-	983 786
Reinsurance receivable	-	5 000	-	5 000
Total	2 364 490	15 502 763	10 086 493	27 953 746
Liabilities				
Taxation	-	47 729	-	47 729
Trade and other payables	2 659 051	-	-	2 659 051
Provisions	-	421 813	-	421 813
Reinsurance payable	-	96 443	-	96 443
Operating lease liability	-	-	632 083	632 083
Total	2 659 051	565 985	632 083	3 857 119
Period Gap	(294 561)	14 963 778	9 454 410	24 096 627
Cumulative Gap	(294 561)	14 936 778	24 096 627	-

18.2 Credit risk

The assets bearing credit risk are summarized below:-

	31 Dec 2018 US\$	31 Dec 2017 US\$
Trade and other receivables	983 786	990 736
Cash at bank	13 113	143 551
Funds on deposit	2 762 436	1 872 517
Reassurance claims receivable	5 000	15 000
Financial assets at amortised cost	4 306 173	4 233 722
Total	8 070 508	7 255 526

Funds on deposit are secured by Bankers Acceptances (BAs) and as at 31 December 2018 the Company held BAs valued at US\$3 034 164.

Included in Financial assets at amortised cost are treasury bills amounting to US\$2 571 865 which were issued by the Government of Zimbabwe. These are considered to be secure as the Government of Zimbabwe has not defaulted on any maturities.

All the other financial assets are not past due or impaired at the reporting date and management expects no significant losses from non performance of these counterparties.

18.3 Capital Risk Management

	31 Dec 2018 US\$	31 Dec 2017 US\$
Shareholders' equity		
Total available capital	18 927 623	16 680 183
Total capital requirements	(5 000 000)	(5 000 000)
Overall excess	13 927 623	11 680 183
Capital position at the beginning of the year		
Total comprehensive income for the financial year	2 501 777	1 323 228
Dividend	(244 000)	(150 000)
Share buyback	-	(336 469)
Change as a result of adopting IFRS 16	(10 337)	-
Capital position at end of year	18 927 623	16 680 183

STATEMENT OF FINANCIAL POSITION As at 31 December 2018

Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
Assets		
Non-current assets		
Equipment	508 627	259 866
Investments	10 975 935	6 735 647
Total non-current assets	11 484 562	6 995 513
Current assets		
Other balances receivable	158 950	109 983
Taxation	-	109 020
Balances receivable from insurance companies	5 336 107	2 967 974
Cash and cash equivalents	2 046 471	3 972 901
Total current assets	7 541 528	7 159 878
Total assets	19 026 090	14 155 391
EQUITY AND LIABILITIES		
Equity		
Share capital	5 000	5 000
Share premium	2 495 000	2 495 000
Non-distributable reserves	122 400	10 572
Retained earnings	9 432 688	7 710 957
Total shareholders' equity	12 055 088	10 221 529
Non-current liabilities		
Deferred tax liability	611 636	391 881
Current liabilities		
Unearned premium reserve	1 298 459	865 139
Outstanding claims reserve	-	150 000
Incurred but not reported claims reserve (IBNR)	2 353 113	1 438 774
Balances payable to insurance companies	911 503	117 114
Taxation	76 586	-
Other payables	1 719 705	970 954
Total current liabilities	6 359 366	3 541 981
Total equity and liabilities	19 026 090	14 155 391

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
Gross premium	19 156 622	19 098 632
Retrocession premium	(6 628 746)	(8 081 097)
Net premium income	12 527 876	11 017 535
Unearned premium	(433 320)	399 942
Net earned premium	12 094 556	11 417 477
Net claims	(6 458 147)	(5 136 361)
Net commission	(3 388 480)	(3 103 436)
Operating expenses	(2 148 547)	(2 606 981)
Underwriting result	99 382	570 699
Investment and other income	722 993	2 090 707
Fair value adjustment	1 432 898	(1 935 257)
Profit before tax	2 255 273	726 149
Income tax expense	(378 943)	(219 813)
Profit for the year	1 876 330	506 336
Revaluation of Equipment	150 610	-
Income tax relating to components of other comprehensive income	(38 782)	-
Total comprehensive income	1 988 158	506 336
Earnings per share		
Basic earnings per share (US cents)	3.75	1.01

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital US\$	Share premium US\$	Non- distributable reserve US\$	Retained income US\$	Total US\$
2018					
Balance at 1 January 2018	5 000	2 495 000	10 572	7 710 957	10 221 529
Changes on initial application of IFRS 16	-	-	-	(2 698)	(2 698)
Revaluation of equipment	-	-	111 828	-	111 828
Total comprehensive income for the year	-	-	-	1 876 330	1 876 330
Dividend paid	-	-	-	(151 901)	(151 901)
Balance at 31 December 2018	5 000	2 495 000	122 400	9 432 688	12 055 088
2017					
Balance at 1 January 2017	5 000	2 495 000	10 572	7 488 476	9 999 048
Total comprehensive income for the year	-	-	-	506 336	506 336
Dividend paid	-	-	-	(283 855)	(283 855)
Balance at 31 December 2017	5 000	2 495 000	10 572	7 710 957	10 221 529

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

Notes	31 Dec 2018 US\$	31 Dec 2017 US\$
Cash generated from operating activities		
Income taxes paid	(12 364)	(79 686)
Interest Received	233 948	381 276
Net cash generated from operating activities	986 419	(797 141)
Cash flows from investing activities		
Additions to equipment	(10 023)	(95 833)
Purchase of investment property	-	(1 459 522)
(Purchase) / Maturity of prescribed assets	(2 066 664)	633 336
Purchase of equity investments	-	(5 234 773)
Movements in equity investments	(740 726)	(70)
Movement in other investments	-	(26 560)
Proceeds on disposal of investments	-	2 794 735
Proceeds from disposal of equipment	-	2 823
Divided Received	113 918	57 593
Net cash generated from investing activities	(2 703 495)	(3 328 271)
Cash flows from financing activities		
Divided Paid	(151 901)	(576 341)
Lease liability paid	(72 449)	-
Interest Expense	14 996	-
Net cash utilised in financing activities	(209 354)	(576 341)
Net decrease in cash and cash equivalents	(1 926 430)	(4 701 753)
Cash and cash equivalents at the beginning of the year	3 972 901	8 674 654
Cash and cash equivalents at the end of the year	2 046 471	3 972 901

NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2018

	31 Dec 2018 US\$	31 Dec 2017 US\$
1. INVESTMENTS		
Investment Property	2 257 950	2 503 040
Quoted Equity	5 738 186	3 319 472
Unquoted Equity	61 578	61 578
Prescribed Assets	2 891 661	824 997
Other	26 560	26 560
Total	10 975 935	6 735 647



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	31 Dec 2018 US\$	31 Dec 2017 US\$
2. BALANCES RECEIVABLE FROM INSURANCE COMPANIES		
Balances receivable	6 596 823	4 623 633
Impairment allowance	(1 260 716)	(1 655 659)
	<u>5 336 107</u>	<u>2 967 974</u>
The Company has recognised an allowance for doubtful debts of 100% against all receivables over 120 days and a general allowance of 2% for receivables within 120 days.		
	31 Dec 2018 US\$	31 Dec 2017 US\$
3. CASH AND CASH EQUIVALENTS		
Local banks	1 166 197	3 519 523
Foreign banks	880 274	453 378
	<u>2 046 471</u>	<u>3 972 901</u>
4. SHARE CAPITAL		
4.1 Authorised, issued and fully paid:		
500 000 ordinary shares of US\$0.01 each	5 000	5 000
	<u>5 000</u>	<u>5 000</u>
4.2 Share premium		
Share premium of US\$4.99 (2016 : US\$4.99) per share	2 495 000	2 495 000
	<u>2 495 000</u>	<u>2 495 000</u>
Fully paid ordinary shares carry one vote per share and bear a right to dividends.		
5. UNEARNED PREMIUM RESERVE (UPR)		
Opening balance	865 139	1 265 081
Charge/(credit) to profit or loss	433 320	(399 942)
Closing balance	<u>1 298 459</u>	<u>865 139</u>
6. OUTSTANDING CLAIMS RESERVE		
Opening balance	150 000	252 055
Credit to profit or loss	(150 000)	(102 055)
Closing balance	<u>-</u>	<u>150 000</u>
7. INCURRED BUT NOT REPORTED CLAIMS RESERVE (IBNR)		
Opening balance	1 438 774	1 609 427
Charge / (Credit) to profit or loss	914 339	(170 653)
Closing balance	<u>2 353 113</u>	<u>1 438 774</u>

	31 Dec 2018 US\$	31 Dec 2017 US\$
8. NET CLAIMS		
Gross claims	6 838 169	6 463 475
Retrocession recoveries	(1 144 362)	(1 054 406)
IBNR movement	914 340	(170 653)
Outstanding claims movement	(150 000)	(102 055)
	<u>6 458 147</u>	<u>5 136 361</u>
9. NET COMMISSIONS		
Gross commissions	5 362 232	5 230 901
Retrocession commissions	(1 973 752)	(2 127 465)
	<u>3 388 480</u>	<u>3 103 436</u>
10. OPERATING EXPENSES		
Staff expenses	1 114 258	892 926
Impairment on balances receivable from insurance companies	(394 943)	382 918
Depreciation	131 583	57 541
Directors' remuneration	27 292	38 937
Current year audit fees	57 807	61 688
Lease Interest	14 996	-
Other management expenses	1 197 554	1 172 971
	<u>2 148 547</u>	<u>2 606 981</u>
11. INVESTMENT AND OTHER INCOME		
Interest income	233 948	381 276
Dividend income	454 644	57 593
Exchange (Loss)/Gain	(9 960)	541
(Loss) on fixed assets sold	-	(3 777)
Profit on Investments	-	1 634 102
Rent	40 885	20 972
Sundry Income	3 476	-
	<u>722 993</u>	<u>2 090 707</u>
12. FAIR VALUE ADJUSTMENT		
Fair value (Loss)/Gain – Equities	1 677 988	(1 830 775)
Fair value (Loss)/Gain – Investment Properties	(245 090)	(104 482)
	<u>1 432 898</u>	<u>(1 935 257)</u>
13. REGULATORY FRAMEWORK		

The Insurance and Pensions Commission (IPEC) requires reinsurers to maintain a minimum solvency level of 25%. The solvency ratio is calculated as shareholder's equity divided by net premium income. As at 31 December 2018 the company had a solvency margin of 96% (December 2017: 93%). The solvency ratio is not significantly affected by the application of IPEC asset admissibility guidelines for the calculation of regulatory capital given the company's strong liquidity position. The company is also compliant with the IPEC prescribed minimum capital requirement of US\$5,000,000.



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018**

Adverse Opinion

We have audited the consolidated and separate financial statements of ZB Financial Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 15 to 146, which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the accompanying consolidated and separate financial statements do not present fairly, the consolidated and separate financial position of the Group as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), and the Insurance Act (Chapter 24:07).

Basis for Adverse Opinion

IAS 21 "The Effects of Changes in Foreign Exchange Rates" considerations

During the year, the Group and the Company transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms. During the course of the year, there was significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS Foreign Currency Accounts ("FCA") in comparison to the USD. Although RTGS was not legally recognised as currency during the financial year ended 31 December 2018, the substance of the economic phenomenon, from an accounting perspective, suggested that RTGS was currency for financial accounting and reporting purposes.

The Reserve Bank of Zimbabwe ("RBZ") issued a monetary policy statement in October 2018 instructing all financial institutions to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Due to this separation, there was a proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity between the two. These events were suggestive of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Such assessment pointed to a change in functional currency.

Subsequent to year-end, as indicated in note 3.1.1 to the consolidated and separate financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19"), with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time that the central bank issued bond notes as currency.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018
Basis for Adverse Opinion (continued)**

IAS 21 "The Effects of Changes in Foreign Exchange Rates" considerations (continued)

The Group and Company has maintained their functional currency as the USD and have presented the financial statements in USD using an exchange rate of 1:1 in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with IFRS. Had the Group and Company applied the requirements of IAS 21, many of the elements of the accompanying consolidated and separate financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the consolidated and separate financial statements of this departure have not been determined. A comparative analysis of how different exchange rates would impact on the consolidated statements of financial position has been presented in note 2.1.2 to the consolidated and separate financial statements. However, these amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Adverse Opinion* section of our report, we have determined the matters described below to be the key audit matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018
Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
1. Legal contingencies and related accounting treatment	
<p>Through a series of transactions executed between 2005 and 2006, ZBFHL assumed a controlling interest in Intermarket Holdings Limited ("IHL") Group. Transnational Holdings Limited ("THL"), the former controlling shareholder in IHL, has been contesting the acquisition of IHL by ZBFHL over the years and the matter is outstanding at the Supreme Court.</p> <p>The Board is currently exploring various means to resolve the matter, in liaison with the RBZ.</p> <p>This resolution framework includes a possible unbundling of the contentious assets. Should this be the preferred route, this could lead to considerations to account for these assets in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5").</p> <p>Because of the significance of this matter, and the potential implications on the consolidated results of the ZB Financial Holdings Limited Group, we have determined this issue to be a key audit matter.</p>	<p>In responding to the complexities of the identified matter, we performed the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the series of transactions that gave rise to the acquisition of IHL by ZBFHL, then known as Zimbabwe Financial Holdings Limited; • Interrogated various options available for consideration by management, the Board and shareholders, for the resolution of the matter; • Obtained lawyers' confirmations to assess the completeness of information provided in respect of this matter; • Reviewed and evaluated the possibility and the relevance of IFRS 5 to the potential outcomes of the options available to management to resolve the matter; and • Reviewed the financial statements for appropriate presentation and disclosure. <p>We found that as at 31 December 2018, the directors employed the correct basis to account for IHL entities, that is, to fully consolidate the units. As of this date, the requirements of IFRS 5 had not yet triggered.</p> <p>The related disclosures in note 33.3 were assessed to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018
Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
2. Revenue recognition and the automated nature of interest calculations	
<p>International Standards on Auditing "ISA" 240 requires that it be presumed that there are risks of material misstatement due to fraud related to revenue recognition. The standard further requires that these risks be treated as significant.</p> <p>In the current financial year, the Group adopted the IFRS 15 "Revenue from Contracts with Customers", a new financial reporting standard that introduced a new revenue recognition model for contracts with customers in addition to requiring new disclosures.</p> <p>The new financial reporting standard adopted in current year, IFRS 9 "Financial Instruments", requires that impairments on financial assets be accounted for in terms of the expected credit loss model and not the previous incurred credit loss model. This standard also requires that interest on stage three financial instruments be computed on the net carrying amount of the financial instrument rather than the gross carrying amount.</p> <p>In addition, income from interest enhancing mechanisms should be amortized over the tenure of the loan facilities and, considering the quantum of loans issued and the inherent risk associated with automation of interest calculations, the accounting for these revenue streams by the Group.</p> <p>Because of the foregoing matters, revenue recognition and the automated nature of interest calculations have required that we deem revenue to be a key audit matter.</p> <p>The revenue recognition policy is disclosed in note 3.3 of the annual report and the revenue balance (made up of interest and non-interest income) is disclosed in Notes 24 and 26.</p>	<p>Our audit procedures incorporated a combination of tests of the Group's internal control around revenue recognition and the use of information technology specialists in the re-computation of interest and non-interest income. Our procedures included the following:</p> <ul style="list-style-type: none"> • Making enquiries of those charged with governance regarding the policies in place in recognising revenues; • Obtaining an understanding of the internal control environment. This involved obtaining evidence about the design and implementation and the operating effectiveness of the controls around revenue; • Performing detailed substantive testing of journal entries processed around revenue to ensure that these journals were appropriately authorised, complete and accurate; • Evaluation by our information technology specialists of access controls, controls around system software acquisition, system change and maintenance, application system acquisition, system development and maintenance, and program change controls; • Re-performance by our data analytic specialists of interest and non-interest income and comparison of the results thereof to recorded amounts; • Inspection and re-computation to determine that interest on stage three financial instruments was computed on the net carrying amount and not the gross carrying amount; • Inspection of the Group's revenue contracts to establish the necessity to account for revenue differently in accordance with IFRS 15; and • Inspection and testing that the related interest enhancing mechanisms, such as loan origination or establishment fees, were appropriately recognised over the tenure of the facility from which they arose. <p>As contemplated, owing to the nature of the existing revenue contracts, the Group's adoption of IFRS 15 has not resulted in significant deviations from how revenue was accounted for in the past.</p> <p>We obtained reasonable assurance that revenue was appropriately determined, accounted for and disclosed in the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
3. Valuation of expected credit losses on financial assets	
<p>The Group adopted the new and complex financial reporting standard, IFRS 9 "Financial Instruments" on 1 January 2018. This standard introduced the determination of impairment on financial instruments based on expected credit losses, rather than the incurred loss model previously applied under IAS 39. The closing impairment allowances reflected in the statement of financial position as at 31 December 2018 and determined in accordance with IFRS 9 amounts to US\$14.3m.</p> <p>This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment.</p> <p>The key areas where we identified heightened levels of Directors' judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included:</p> <ul style="list-style-type: none"> • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model; • The measurement of modelled provisions, which is dependent on key assumptions relating to Probability of Default (PD – the chance that the borrowers will fail to meet their contractual obligations in the future), Loss Given Default (LGD – estimate of the loss from a transaction given that default has occurred) and expected recoveries discounted to present value; • The identification of exposures with a significant deterioration in credit quality; and • Assumptions used in the expected credit loss model. <p>Note 2.2.2.9, Note 3.4.1.5, Note 24.3 and Note 36.2.4 to the consolidated financial statements provide detailed information in respect of the determination of the expected credit losses.</p>	<p>In respect of this key audit matter, we performed the following procedures, With the assistance of the external auditors' modelling expert:</p> <ul style="list-style-type: none"> • Tested the robustness of the Group's IFRS 9 implementation project, including controls around the determination of the expected credit losses; • Reviewed the Group's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; • Obtained an understanding of the Group's internal rating models for financial assets and reviewed the validation report prepared by the Group's modelling expert to assess appropriateness of the rating model; • Performed procedures to test the competence, objectivity and independence of the Group's modelling expert; • Reviewed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into their various stages; • For a sample of exposures, tested the appropriateness of the Group's staging of financial instruments; • Tested assumptions used in the ECL calculations and assessed for reasonableness; • For a sample of exposures, tested the appropriateness of determination of Exposure at Default (EAD – the total value that the Group is exposed to at the time of default) and PD; • Re-performed model validation on the Group's PD, LGD and EAD models and performed an independent assessment of the appropriateness of the models; • Reviewed the maturity dates of financial instruments to ensure completeness in the impairment models; • Tested the completeness of on- and off- balance sheet financial instruments included in the ECL calculations, as well as collateral assumed during the period under review; • Assessed consistency of inputs and assumptions used by the Group's management to determine impairment provisions; and • Reviewed the appropriateness of the opening balance adjustments. <p>We were satisfied with the implementation of the IFRS 9 project at 31 December 2018, and the computation of expected credit losses as of that date.</p>

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018**

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
4. Adequacy of insurance provisions – incurred but not reported (IBNR) provision and life assurance liabilities	
<p>As disclosed in notes 17 and 21, the following were insurance expense and claim provisions recognized by the Group at 31 December 2018:</p> <ul style="list-style-type: none"> • Incurred but not yet reported (IBNR) provisions – US\$2 million; • Life assurance liabilities – US\$37.4 million; <p>The determination of the IBNR claims provision is an area that makes use of significant qualitative and quantitative judgements and estimates due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date.</p> <p>Because of the inherent susceptibility of these insurance provisions to estimation uncertainty, we have considered the insurance provisions to be a key audit matter.</p> <p>Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for. The claims provision as at 31 December 2018 was US\$2.4 million (2017: US\$1.6 million).</p> <p>Disclosures in relation to the claims provision are included in note 2.2.2.6 and note 20 of the consolidated financial statements</p>	<p>In responding to the complexities of the identified matter, we performed the following:</p> <ul style="list-style-type: none"> • Enquired of those charged with governance regarding the policies in place for the determination of the provisions and inspected the policies for consistency with prior years. • Where applicable, we performed retrospective reviews by comparing recorded provisions against actual claims incurred. • We engaged our own internal actuarial and insurance solution experts to perform the following: <ul style="list-style-type: none"> a) Critically interrogate the methodology used by the Group's actuaries in the assessment of the provisions; b) Assess and challenge the appropriateness of key assumptions used in the determination of the provisions; c) Review the inputs used in the models against the source data for consistency and relevance; and d) Assess the computations against guidance from the Insurance and Pensions Commission (IPEC). • Where applicable, subjected the key assumptions used to sensitivity analysis. <p>We considered the assumptions applied by the directors to be appropriate. The insurance provisions were considered adequate, in the circumstances.</p>

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditor's report and the Annual Report which is expected to be made available to us after the date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018**

Other Information (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group and Company maintained their functional currency as the USD and have presented the consolidated and separate financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21. We have determined that the other information is materially misstated for the same reason.

When we read the other information obtained after the date of the auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 and SI 62/96), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ZB FINANCIAL HOLDINGS LIMITED
For the year ended 31 December 2018

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Deloitte & Touche
Chartered Accountants (Zimbabwe)

Per: Brian Mabiza Partner

Registered Auditor

PAAB Practice Certificate Number: 0447

Date: 30 April 2019