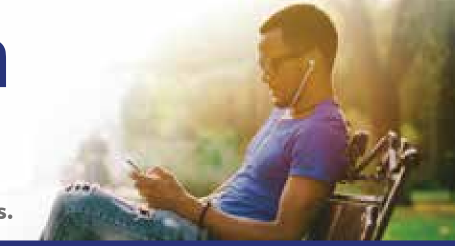
Bank away from the Branch

Dial ***227#** to do your Banking whilst saving on transactional costs.



CABS

A Member of the OLDMUTUAL Group

WE'LL HELP YOU GET THERE

Abridged Audited Financial Results

For the year ended 31 December 2018

CB 2890

CHAIRMAN'S STATEMENT
For the Year Ended 31 December 2018

Dear Shareholder

Board Changes
As I commence my first year as Chairman of CABS, I pay tribute to my predecessors: Dr LL Tsumba who provided distinguished service as Chairman of the Board until he retired on 30 June 2018, and Mrs RCD Chitengu who capably led the Board as Acting Chairman after Dr Tsumba retired and ensured a smooth on-boarding upon my arrival on 1 January 2019. Together with fellow Board Members, Management and Staff, they steered the Society through an increasingly complex operating environment. Mrs Chitengu continues to serve on the Board as Chairman of the Board Audit Committee.

I must also acknowledge the sterling and invaluable service of the former Members who, on the cusp of the current financial year, retired from the Board and the Board Committees on which they sat. These are Messrs BL Nkomo, LEM Ngwerume and DL Stephenson, who retired from the Board on 31 December 2017 after a long and fruitful period of service. Their retirement triggered several Board changes in 2018.

In place of Mr BL Nkomo, Mrs Chitengu became Chair of the Board Audit Committee and Member of the Board Risk and Compliance Committee. She temporarily suspended participation in the Board Committees during the period of her tenure as Acting Chairman of the Board, from 1 July 2018 to 31 December 2018.

Mrs T Mutaviri and Mr MJR Dube were appointed to the Board on 30 January 2018. Mrs Mutaviri took over from Mr Ngwerume on the Board Loans Review Committee and Mr Dube now serves in place of Mr DL Stephenson, as Member of the Board Audit Committee and the Board Credit Committee. Mr Dube was Chairman of the Board Audit Committee during the period that Mrs Chitengu served as Acting Board Chairman.

On the 31st of March 2018, the Society bade farewell to Mr T Kruger who resigned from the CABS Board upon having left Old Mutual Group in South Africa. I acknowledge his effective contribution prior to my arrival and wish him well in his new endeavours. Mr A Keller joined the Board on 11 September 2018. He is the current Head of Banking, Old Mutual Limited (based in South Africa) and brings a wealth of experience in international banking in Europe and Africa. The Board and Management welcome Mr Keller and wish him well during his tenure.

Overview
Our results for 2018 demonstrate resilience. Compared to 2017, the Society grew its net surplus for the year from $42 million to $49 million (a 17% increase), while restricting the growth in operating expenses to 2% from $53 million to $54 million. The Society adopted IFRS 9 (International Financial Reporting Standard 9 – Financial Instruments) in 2018 and as a result increased impairments on interest-earning financial assets from a reversal of $2 million in 2017 to a charge of $8 million in 2018. However, the quality of the loan book remained consistent.

Total assets increased from $1,267 million in 2017 to $1,469 million in 2018 and the Society's capital and liquidity remained strong. Total equity was $194 million (2017: $188 million), after the initial IFRS 9 adjustment of $20 million as well as dividends of $25 million. Tier 1 capital was $131 million (2017: $114 million), which remained above the current Reserve Bank of Zimbabwe ("RBZ") requirement for a minimum of $20 million Tier 1 capital for Building Societies. It was also above the RBZ requirement for a minimum of $100 million Tier 1 capital, for Tier 1 banks by 2020. The liquidity ratio was 41% (2017: 38%). Statutory reserves were introduced in October 2018 and the Society held a balance of $38 million with the RBZ as at 31 December 2018.

During the period under review, year on year inflation peaked at 42% and the market continued to face nostro funding challenges.

Human Resources
Industrial relations remained cordial during the period under review and the Society was able to retain and attract key staff.

Operations
The Society continues to exert efforts to enhance service delivery to its customers and to improve controls and efficiencies. Investments to this effect included:
- On-going branch refurbishments to improve customer experience;
- Investments in digital networks and customer contact points;
- Introduction of the prepaid MasterCard; and
- On-going staff training programmes.

In 2018 the Society received the following awards:
- 1st prize, Best performing bank in Zimbabwe [Independent Newspaper's "Banks and Banking Survey 2018" awards].
- 1st prize, Overall Best Governed Banking Institution [Institute of Chartered Secretaries and Administrators of Zimbabwe, Excellence in Corporate Governance 2018 awards];
- 1st prize, Best Governance Practices [Institute of Chartered Secretaries and Administrators of Zimbabwe, Excellence in Corporate Governance 2018 awards]; and
- 1st prize, Best Banking Risk Management Practices [Institute of Chartered Secretaries and Administrators of Zimbabwe, Excellence in Corporate Governance 2018 awards].

Corporate Social Responsibility and Responsible Business
The Society recognises the need to invest in the communities in which it operates. In 2018, it was involved in several initiatives in support of education, sports and culture throughout the country.

The Society continues to extend funding to sectors that stimulate the economy and provide jobs such as agriculture, mining and manufacturing.

Corporate Governance
The Board of Directors and Management remain committed to best practice in corporate governance. The Audit, Risk and Compliance, Management and other Board Committees met regularly throughout the period under review, to assess operations, evaluate risk and to monitor and develop systems and procedures that will further safeguard the Society's assets.

Compliance Issues
The Society was compliant with all laws and regulations governing its activities during the period under review.

Directorate
The Society regularly reviews the composition, diversity and performance of our Board of Directors and is committed to maintaining the right balance of skills and experience across the Board, within the tenure limits prescribed by the RBZ.

Outlook
The risks and opportunities in Zimbabwe have further escalated. Chief among these are those elements linked to foreign exchange shortages and the relationship between income and expenses under inflationary conditions. It is vital that all stakeholders play their part to stabilise and strengthen the platform on which a strong and sustainable business can be built. We remain committed to the long term well-being of our valued customers, who form the fabric of our society and economy. To this end we will continue to execute a long-term strategy to serve our customers better.

I thank the Board of Directors and staff for their dedication and hard work and most importantly our customers for their support.

Washington Matsaira
Chairman
27 March 2019

DIRECTORS REPORT
For the Year Ended 31 December 2018

The Directors are responsible for the preparation and fair presentation of the Financial Statements of the Society in accordance with the applicable Financial Reporting Framework for entities in Zimbabwe, including the requirements of the Building Societies Act (Chapter 24:02). Financial Statements comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements.

The Directors are also responsible for such internal control as they determine are necessary for the Financial Statements to be free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

Based on their assessment, the Directors are satisfied that the Society has the ability to continue as a going concern into the foreseeable future.

The Independent Auditor is responsible for reporting on whether the Financial Statements prepared by the Board, are fairly presented in accordance with the applicable Financial Reporting Framework.

Compliance with legislation
These Financial Statements prepared under the historical cost convention (except for fair value measurement where applicable), agree with the underlying books and records, have been properly prepared in accordance with the Accounting Policies set out in note 1, and comply with the disclosure requirements of the Building Societies Act (Chapter 24:02).

Compliance with IFRSs
The Financial Statements are prepared with the aim of complying fully with International Financial Reporting Standards ("IFRS"). IFRSs comprise interpretations adopted by the International Accounting Standards Board ("IASB"), which includes standards adopted by the IASB and interpretations developed by the International Financial Reporting Interpretations Committee or by the former Standing Interpretations Committee. Complying with IFRSs achieves consistency with the financial reporting framework adopted by the ultimate holding company, Old Mutual Limited, which is incorporated in South Africa. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the Financial Statements.

While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for 2018. The IFRS Conceptual Framework, provides that in applying fair presentation to the Financial Statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the Financial Statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of an entity, for use in preparing its Financial Statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the Financial Statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 (SI 33) of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework (see also guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in accounting treatment being adopted in the 2018 Financial Statements, which is different from that which would have been adopted if the Society had been able to comply with IFRS. As such, the

DIRECTORS REPORT (continued)
For the Year Ended 31 December 2018

Directors and Management have been unable to produce Financial Statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 29 seeks to provide users with more information given the context and the aforementioned guidance.

W MATSAIRA
CHAIRMAN
27 March 2019

RCD CHITENGU (MRS)
NON-EXECUTIVE DIRECTOR

AUDITOR'S STATEMENT
For the Year Ended 31 December 2018

These Financial Results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by the Independent Auditors, KPMG Chartered Accountants Zimbabwe. The Independent Auditors have issued an adverse opinion on the Financial Statements because of non-compliance with International Accounting Standard 21 (The Effects of Foreign Exchange Rates). The Independent Auditors' report includes Key Audit Matters (KAMs). The KAMs include, impairment of loans and advances, valuation of unlisted investments and valuation of housing units. The Independent Auditors' report on these Financial Statements is available for inspection at the Society's Registered Office.

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

	Notes	31 December 2018 $m	31 December 2017 $m
Interest income	2	108.57	91.31
Interest expense	2	(32.45)	(32.74)
Net-interest income before impairment		76.12	58.57
Impairment (loss)/reversal on interest earning financial assets	3	(8.26)	1.94
Income from lending activities		**67.86**	**60.51**
Fee and commission income	4.1	66.86	54.02
Fee and commission expense	4.1	(26.18)	(17.62)
Net fee and commission income		40.68	36.40
Other income	4.2	2.69	1.47
Non-interest income		43.37	37.87
Impairment loss on non-interest earning financial assets	3	(3.70)	(3.47)
Net non-interest income		**39.67**	**34.40**
Operating income for the year		**107.53**	**94.91**
Operating expenses	5	(54.00)	(52.80)
Impairment loss on non-financial assets		(4.29)	-
Net surplus for the year		**49.24**	**42.11**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss net of tax		**0.86**	**0.32**
Movement in revaluation reserve		0.86	0.32
Total comprehensive income for the year		**50.10**	**42.43**

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31 December 2018 $m	31 December 2017 $m
ASSETS			
Cash and cash equivalents	7	167.48	164.81
Investment securities	8	333.07	233.53
Other assets	9	93.02	110.51
Loans and advances	10	779.65	668.82
Non-current assets held for sale	11	1.04	1.10
Property and equipment	12	63.42	55.13
Investment property	13	23.49	23.42
Intangible assets	14	7.86	9.41
Total assets		**1 469.03**	**1 266.73**
LIABILITIES			
Deposits	15	1 167.23	1 019.22
Credit lines	16	53.30	23.32
Trade and other liabilities	17	45.85	29.37
Provisions	18	4.98	2.77
Deferred taxation	19	3.29	3.26
Total liabilities		**1 274.65**	**1 077.94**
SHAREHOLDER'S EQUITY			
Ordinary class "A" share capital	20.1	35.00	35.00
Retained earnings	20.2	127.33	109.99
Regulatory provision reserve	20.3	5.18	17.95
Non-distributable reserve	20.4	1.45	1.45
Revaluation reserve	20.5	19.63	18.77
Share based payment reserve	20.6	5.79	5.63
		194.38	**188.79**
Total equity and liabilities		**1 469.03**	**1 266.73**

W MATSAIRA
CHAIRMAN

RCD CHITENGU (MRS)
NON-EXECUTIVE DIRECTOR

HARARE
27 March 2019

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2018

2018	Notes	Share capital $m	Retained earnings $m	Regulatory provision reserves $m	Non distributable reserves $m	Revaluation reserves $m	Share based payment reserves $m	Total equity $m
Balance as at 1 January		**35.00**	**109.99**	**17.95**	**1.45**	**18.77**	**5.63**	**188.79**
Impact of adopting IFRS 9 on 1 January 2018	6.6	-	(1.72)	(17.95)	-	-	-	**(19.67)**
Restated balance as at 1 January 2018		**35.00**	**108.27**	**-**	**1.45**	**18.77**	**5.63**	**169.12**
Net surplus		-	49.24	-	-	-	-	**49.24**
Other comprehensive income		-	-	-	-	0.86	-	**0.86**
Dividends on Ordinary class "A" share capital		-	(25.00)	-	-	-	-	**(25.00)**
Regulatory reserve		-	(5.18)	5.18	-	-	-	**-**
Share based payment reserves		-	-	-	-	-	0.16	**0.16**
Balance as at 31 December		**35.00**	**127.33**	**5.18**	**1.45**	**19.63**	**5.79**	**194.38**

2017	Share capital $m	Retained earnings $m	Regulatory provision reserves $m	Non distributable reserves $m	Revaluation reserves $m	Share based payment reserves $m	Total equity $m
Balance as at 1 January	**35.00**	**99.32**	**16.51**	**1.45**	**18.45**	**5.35**	**176.08**
Net surplus	-	42.11	-	-	-	-	**42.11**
Other comprehensive income	-	-	-	-	0.32	-	**0.32**
Dividends on Ordinary class "A" share capital	-	(30.00)	-	-	-	-	**(30.00)**
Regulatory impairment allowance	-	(1.44)	1.44	-	-	-	**-**
Share based payment reserves	-	-	-	-	-	0.28	**0.28**
Balance as at 31 December	**35.00**	**109.99**	**17.95**	**1.45**	**18.77**	**5.63**	**188.79**

Abridged Audited Financial Results

For the year ended 31 December 2018

WE'LL HELP YOU GET THERE

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2018

	Notes	31 December 2018 $m	31 December 2017 $m
Cash flows from operating activities			
Net Surplus for the year		49.24	42.11
Adjustments for:			
Net interest income	2	(76.12)	(58.57)
Depreciation and amortisation	5	8.62	8.39
Impairment loss/(reversal) on interest earning financial assets	3	8.26	(1.94)
Impairment loss on non-interest earning financial assets	3	3.70	3.47
Fair value gain on investment property	4.2	(0.07)	-
Fair value (gain)/loss on non-current assets held for sale	4.2	(0.11)	0.27
Fair value gain on equity investments	4.2	(0.92)	(0.09)
Other provisions	18	2.21	(2.70)
Share based payments provisions	20.6	0.16	0.28
Operating cash flows before working capital changes		**(5.03)**	**(8.78)**
Decrease/(Increase) in other assets		14.60	(32.70)
Decrease in non-current assets held for sale		0.17	0.04
Increase in loans and advances		(137.61)	(87.10)
Increase in investment securities		(100.58)	(27.59)
Increase in deposits		148.01	174.17
Increase in other liabilities		16.47	11.52
Operating cash flows after working capital changes		**(63.97)**	**29.56**
Interest income received	2	108.57	91.31
Interest expense paid	2	(32.45)	(32.74)
Net cash flows from operating activities		**12.15**	**88.13**
Cash flows from investing activities			
Additions to property and equipment	12	(12.83)	(7.16)
Additions to intangible assets	14	(1.63)	(2.68)
Net cash used in investing activities		**(14.46)**	**(9.84)**
Cash flows from financing activities			
Dividends paid		(25.00)	(30.00)
Increase/(decrease) in credit lines		29.98	(5.33)
Net cash raised from/used in financing activities		**4.98**	**(35.33)**
Net increase in cash and cash equivalents		**2.67**	**42.96**
Cash and cash equivalents at the beginning of the year		**164.81**	**121.85**
Cash and cash equivalents at the end of the year	7	**167.48**	**164.81**

CORPORATE GOVERNANCE STATEMENT
For the Year Ended 31 December 2018

CB 2890

The Society is committed to achieving high standards of Corporate Governance and continues to work towards compliance with the provisions in the Combined Code on Corporate Governance and best practice pronouncements.

Board of Directors (Board)
The Board met six times during the year ended 31 December 2018 (including special meetings, sessions devoted to strategy and business planning). Attendance was as tabled below.

		Main Board	Board Audit committee	Board Risk and Compliance Committee	Board Credit Committee	Board Loans Review Committee
	Number of meetings held	**6**	**4**	**4**	**4**	**4**
1.	W Matsaira[1]	-	-	-	-	-
2.	Dr LL Tsumba[2]	2	-	-	-	-
3.	J Mushosho[8]	5	-	-	-	-
4.	RCD Chitengu (Mrs)[3]	6	2	1	-	-
5.	MJR Dube[4]	6	3	-	3	-
6.	A Keller[5]	2	-	-	-	1
7.	TL Kruger[6]	2	-	-	-	-
8.	DEB Long	5	4	3	3	-
9.	T Mutaviri (Mrs)[7]	5	-	-	-	2
10.	AE Siyavora	5	-	-	4	-
11.	B Zamchiya	5	-	4	-	4
12.	SJ Hammond[8]	6	-	-	-	-
13.	M Mpofu[8]	5	-	-	-	-
14.	M Mukonoweshuro[8]	6	-	-	-	-

1 Appointed to the Board as Chairman on 1 January 2019.
2 Retired from the Board with effect from 30 June 2018.
3 Appointed Acting Board Chairman with effect from 30 June 2018 to 31 December 2018. Temporarily ceased being a member of the Audit Committee and the Risk and Compliance Committee during that period and resumed on 1 January 2019.
4 Appointed to the Board and to the Board Audit Committee and the Board Credit Committee on 30 January 2018.
5 Appointed to the Board and to the Board Loans Review Committee on 11 September, 2018.
6 Resigned from the Board with effect from 31 March, 2018.
7 Appointed to the Board and to the Board Loans Review Committee on 30 January 2018.
8 Executive directors.

A Corporate Governance Code of Best Practice and Board Charter are available to Directors for reference regarding their duties and obligations. Directors are aware that they may take independent professional advice at the Society's expense, if necessary, for the furtherance of their duties. Every year the Directors conduct Board and peer Director evaluations.

The Board currently comprises nine non-executive Directors, as shown above. With the exception of Messrs J Mushosho, MJR Dube, A Keller, B Zamchiya and Mmes. RCD Chitengu and T Mutaviri, the other non-executive Directors are considered independent and free from business or other relationships which could materially interfere with the exercise of their independent judgment.

The Rules of the Society require that one third of the non-executive Directors (in addition to those appointed by the Board during the year), shall retire each year by rotation. Proposals for re-election are considered by the Shareholders and are not automatic.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2018

1 Significant Accounting Policies

1.1 Reporting entity
Central Africa Building Society (the Society) is a registered Building Society in terms of the Building Societies Act (Chapter 24:02) in Zimbabwe.

The parent company is Old Mutual Zimbabwe Limited (OMZIL), which is a Company registered and incorporated in Zimbabwe.

Nature of business
The Society conducts principal businesses of mortgage lending, other lending, deposit acceptance and investing.

1.2 Accounting policies
The principal accounting policies adopted in the preparation of the annual financial statements are set out below and have been consistently followed in all material respects.

1.3 Basis of preparation

Statement of compliance
The Society`s financial statements have been prepared with a view of complying with International Financial Reporting Standards (IFRSs). Partial compliance has been achieved due to the impact of SI 33. IFRSs comprise International Accounting Standards and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared in accordance with the requirements of the Building Societies Act (Chapter 24:02).

Basis of measurement
The financial statements are prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of investment properties and owner occupied properties and fair value adjustment of financial instruments.

Functional Currency
The Society has in previous financial periods adopted the United States Dollar as its presentation currency and functional currency. For the 2018 financial statements, in order to comply with local laws and regulations, particularly SI 33, and based on the guidance of the Public Accountants and Auditors Board issued on 21 March 2019, paragraph 27, the Society has adopted the US Dollar as its presentation currency. SI 33 has precluded the Society from applying an independent assessment of functional currency as provided for under International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

1.4 Approval of financial statements
The financial statements were approved by the board on 27 March 2019.

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future affected period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2018

		Notes	31 December 2018 $m	31 December 2017 $m
2	**Net interest income**			
	Interest income		**108.57**	**91.31**
	Loans and advances		**91.96**	**75.44**
	Mortgage loans		29.92	29.06
	Term loans and overdrafts		62.04	46.38
	Investment securities		**16.61**	**15.87**
	Treasury bills		13.82	12.64
	Money market investments		2.79	3.23
	Interest expense		**(32.45)**	**(32.74)**
	Credit lines		(4.04)	(2.77)
	Money market deposits		(27.44)	(29.49)
	Term deposits		(0.01)	(0.01)
	Savings deposits		(0.96)	(0.47)
	Net interest income		**76.12**	**58.57**
3	**Impairment loss**			
	Impairment loss on interest earning financial assets		8.26	(1.94)
	Loans and advances	10.6	7.57	(1.94)
	Investment securities	8.2	0.69	-
	Impairment loss on non interest earning financial assets		3.70	3.47
	Rental debtors and unauthorised overdraft	9.1.2	3.70	3.47
			11.96	**1.53**
3.1	**Impairment reconciliation**			
	Opening balance		38.96	39.36
	IFRS 9 initial application		21.55	-
	Regulatory provision movement		(12.77)	1.44
	Movements through profit or loss - current year		11.96	1.53
	Amounts utilised during the year		(6.33)	(3.37)
	Closing balance		**53.37**	**38.96**
	Loss allowance on loans and advances		36.83	15.58
	Loss allowance on unthorised overdrafts and accrued rentals		8.45	5.43
	Loss allowance on investment securities		2.91	-
	Regulatory provision on loans and advances		5.18	17.95
	Closing balance		**53.37**	**38.96**

		Notes	31 December 2018 $m	31 December 2017 $m
4	**Net non-interest income**			
4.1	**Net fee and commission income**			
	Fee and commission income		**66.86**	**54.02**
	Commissions		27.79	20.42
	Service fees		14.96	17.31
	Administration fees		24.11	16.29
	Fee and commission expense		**(26.18)**	**(17.62)**
	Transactional commission expense		(21.72)	(11.64)
	Other commissions and fee expense		(4.46)	(5.98)
	Net fee and commission income		**40.68**	**36.40**
4.2	**Other income**			
	Housing projects trading loss	4.2.1	(2.62)	(2.13)
	Rental income from investment property	4.2.2	1.03	0.64
	Dividend and other income from equity investments		1.26	0.86
	Fair value gain on investment property		0.07	-
	Fair value gain/(loss) on non-current assets held for sale		0.11	(0.27)
	Fair value gain on equity investments		0.92	0.09
	Income from other banking activities		1.92	2.28
	Net other income		**2.69**	**1.47**
4.2.1	**Trading Income**			
	Housing projects sales		21.59	6.06
	Cost of housing units sold		(20.83)	(5.98)
	Gross Profit		**0.76**	**0.08**
	Project operating expenses		(1.02)	(1.06)
	Write fown on housing projects		(2.36)	(1.15)
	Net trading loss		**(2.62)**	**(2.13)**
4.2.2	**Investment property**			
	Rental income		3.73	3.20
	Less expenses		(2.70)	(2.56)
	Net rental income		**1.03**	**0.64**
5	**Operating expenses**			
	Administration		23.95	23.22
	Depreciation and amortisation		8.62	8.39
	Staff costs		21.43	21.19
	Total operating expenses		**54.00**	**52.80**

The number of persons employed by the Society as at 31 December 2018 was 748 (2017: 736).

6 Financial Instruments analysis

6.1 Classification of financial assets and liabilities

As at 31 December 2018	Notes	Mandatorily at fair value through profit or loss $m	Amortised cost $m	Total carrying amount $m
Assets				
Cash and cash equivalents	7	-	167.48	167.48
Investment securities	8.1	-	333.07	333.07
Other financial assets	9	1.86	0.85	2.71
Loans and advances	10.1	-	779.65	779.65
		1.86	**1 281.05**	**1 282.91**
Liabilities				
Deposits	15	-	1 167.23	1 167.23
Credit lines	16	-	53.30	53.30
Trade creditors	17	-	32.20	32.20
		-	**1 252.73**	**1 252.73**

As at 31 December 2017	Notes	Fair value through profit or loss $m	Loans and receivables $m	Other amortised cost $m	Total carrying amount $m
Assets					
Cash and cash equivalents	7	-	164.81	-	164.81
Investment securities	8.1	233.53	-	-	233.53
Other financial assets	9	0.94	2.08	-	3.02
Loans and advances	10.1	-	668.82	-	668.82
		234.47	**835.71**	**-**	**1 070.18**
Liabilities					
Savings and money market deposits	15	525.70	-	493.04	1 018.74
Term deposits	15	-	-	0.48	0.48
Credit lines	16	-	-	23.32	23.32
Trade creditors	17	-	-	18.67	18.67
		525.70	**-**	**535.51**	**1 061.21**

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6.2 Composition of gains and losses on financial instruments

	Notes	Mandatorily at fair value through profit or loss $m	Amortised cost - financial assets $m	Amortised cost - financial liabilities $m	Total $m
December 2018					
Banking interest and similar income	2	-	108.57	-	108.57
Banking trading, investment and similar income	4.2	1.26	-	-	1.26
Fair value gains	4.2	0.92	-	-	0.92
Total income		**2.18**	**108.57**	**-**	**110.75**
Banking interest payable and similar expenses	2	-	-	(32.45)	(32.45)
Credit impairment charges	3	-	-	(8.26)	(8.26)
Total expenses		**-**	**-**	**(40.71)**	**(40.71)**
December 2017					
Banking interest and similar income	2	-	91.31	-	91.31
Banking trading, investment and similar income	4.2	0.86	-	-	0.86
Fair value gains	4.2	0.09	-	-	0.09
Total income		**0.95**	**91.31**	**-**	**92.26**
Banking interest payable and similar expenses	2	-	-	(32.74)	(32.74)
Credit impairment charges	3	-	-	1.94	1.94
Total expenses		**-**	**-**	**(30.80)**	**(30.80)**

6.3 Classification of financial assets and liabilities on the date of initial application of IFRS 9

The Society prospectively adopted without adjustment, IFRS 9 on 1 January 2018.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $m	New Carrying amount under IFRS 9 $m
Assets					
Cash and cash equivalents	7	Loans and receivables	Amortised cost	164.81	164.81
Investment securities	8	Fair value through profit or loss (designated)	Amortised cost	233.53	232.89
Other financial assets	9	Amortised cost	Amortised cost	2.08	1.97
Loans and advances	10.1	Loans and receivables	Amortised cost	668.82	649.90
Total				**1 069.24**	**1 049.57**
Liabilities					
Money market deposits	15	Amortised cost	Amortised cost	525.70	525.70
Savings deposits	15	Fair value through profit or loss (designated)	Amortised cost	493.04	493.04
Term deposits	15	Amortised cost	Amortised cost	0.48	0.48
Credit lines	16	Amortised cost	Amortised cost	23.32	23.32
Other liabilities	17	Amortised cost	Amortised cost	18.67	18.67
Total				**1 061.21**	**1 061.21**

Application of the Society's IFRS 9 accounting policy resulted in the reclassifications set out in the table above and explained below:

Treasury Bills are classified under IFRS 9 as amortised cost because they are held within a business model to hold and collect contractual cash flows. Before the adoption of IFRS 9, Treasury Bills were designated at fair value through profit or loss because the Society managed them on a fair value basis. The fair value of these Treasury Bills was $220.10 million as at 31 December 2018. If these instruments were accounted for as financial assets at fair value through profit or loss, a fair value loss of $2.38 million would have been recognised for these instruments for the reporting period. The original effective interest rate of these instruments ranges between 4% and 23% per annum and $13.82 million of interest income on these instruments has been recognised during in the reporting period.

6.4 Transitional adjustments on Financial assets and liabilities on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017 $m	Re-classification $m	Re-measurement $m	New Carrying amount under IFRS 9 as at 1 January 2018 $m
Financial assets				
Amortised cost				
Cash and cash equivalents	164.81	-	-	164.81
Investment securities				
Opening balance	233.53	-	-	-
From at fair value through profit or loss	-	1.88	-	-
Re-measurement	-	-	(2.52)	-
Closing balance	233.53	1.88	(2.52)	232.89
Other assets				
Opening balance	2.08	-	-	-
Re-measurement	-	-	(0.11)	-
Closing balance	2.08	-	(0.11)	1.97
Loans and advances				
Opening balance	668.82	-	-	-
Re-measurement	-	-	(18.92)	-
Closing balance	668.82	-	(18.92)	649.90
Total amortised cost	**1069.24**	**1.88**	**(21.55)**	**1049.57**
Financial liabilities				
Amortised cost				
Savings deposits	525.70	-	-	525.70
Money Market deposits	493.04	-	-	493.04
Term deposits	0.48	-	-	0.48
Credit lines	23.32	-	-	23.32
Other liabilities	18.67	-	-	18.67
Total amortised cost	**1 061.21**	**-**	**-**	**1 061.21**

6.5 Reconciliation of the impairment allowance on the date of initial application of IFRS 9

	Notes	Original carrying amount under IAS 39 as at 31 December 2017 $m	Re-classification $m	Re-measurement $m	New Carrying amount under IFRS 9 as at 1 January 2018 $m
Cash and cash equivalents		-	-	-	-
Investment securities	6.4	-	-	2.52	2.52
Other financial assets	9.1.1	5.43	-	0.11	5.54
Loans and advances	10.1	15.58	-	18.92	34.50
		21.01	-	21.55	42.56

6.6 Transitional adjustments on equity on the date of initial application of IFRS 9

	Notes	Impact of adopting IFRS 9 as at 1 January 2018 $m
Regulatory reserve		
Closing balance as at 31 December 2017 under IAS 39		17.95
Transfer to retained earnings		(17.95)
Restated closing balance under IFRS 9		-
Retained earnings		
Closing balance as at 31 December 2017 under IAS 39		109.99
Net impact of adopting IFRS 9 on 1 January 2018		(1.72)
Transfer from regulatory reserve		17.95
Reclassification and measurement of investment securities	6.4	1.88
Recognition of expected credit losses on loans and advances	6.4	(0.11)
Recognition of expected credit losses on other assets	6.4	(18.92)
Recognition of expected credit losses on investment securities	6.4	(2.52)
Total restated closing balance of impacted reserves		**108.27**

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		31 December 2018 $m	31 December 2017 $m
7	**Cash and cash equivalents**		
	Cash balances	4.82	2.09
	Bank balances	124.35	162.72
	Statutory reserves	38.31	-
		167.48	**164.81**

Balances with Reserve Bank of Zimbabwe and Foreign Banks are used to facilitate customer transactions which include payments and cash withdrawals. In 2016, the Reserve Bank of Zimbabwe, through Exchange Control Operational Guide 8 (ECOGAD8), introduced prioritisation criteria which are to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of bank balances with our foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the RTGS system.

The RBZ through the October 2018 monetary policy statement mandated the bank to create separate FCA RTGS account for local currency deposits and a separate FCA Nostro for balances with RBZ and foreign banks. The FCA RTGS and the FCA Nostro were officially pegged at 1:1.

The Society will only be able to provide foreign currency to depositors who have either deposited foreign currency directly in the FCA Nostro account or have received export proceeds which was deposited as foreign currency. The bank will not be able to provide foreign currency by withdrawing from the FCA RTGS account at 1:1.

In 2018 the RBZ introduced a statutory reserve requirement which is equal to 5% of total deposits.

		Notes	31 December 2018 $m	31 December 2017 $m
8	**Investment securities**			
8.1	**Investment securities analysis**			
	Money market investments		110.58	46.64
	Treasury bills		225.40	186.89
			335.98	233.53
	Loss allowance	8.2	(2.91)	-
			333.07	**233.53**
	Maturity analysis - gross			
	On demand to 3 months		175.77	95.82
	3 months to 1 year		77.59	42.53
	1 year to five years		54.90	90.15
	Over 5 years		24.81	5.03
			333.07	**233.53**

The Society does not, at present, trade in derivatives of any form.

8.2 Impairment analysis

	Notes	2018 12 months ECL $m	ECL - Not credit impaired $m	ECL - Credit impaired $m	ECL - Total $m
Gross carrying value					
Balance as at 1 January		233.53	-	-	**233.53**
		102.45	-	-	**102.45**
- Repayments		(44.74)	-	-	**(44.74)**
- Originations		147.19	-	-	**147.19**
Closing balance 31 December		**335.98**	**-**	**-**	**335.98**
Loss allowance					
Balance as at 1 January	6.5	2.52	-	-	**2.52**
Utilisation		(0.30)	-	-	**(0.30)**
Movement through profit and loss		0.69	-	-	**0.69**
- Repayments		(0.05)	-	-	**(0.05)**
- Originations		0.74	-	-	**0.74**
Balance as at 31 December		**2.91**	**-**	**-**	**2.91**

		Notes	31 December 2018 $m	31 December 2017 $m
9	**Other assets**			
	Net unauthorised overdrafts and accrued rental income	9.1.1	0.85	2.08
	Investment in equity	9.2	1.86	0.94
	Stock on hand		2.03	0.75
	Housing projects	9.3	34.72	54.28
	Other assets		53.56	52.46
			93.02	**110.51**
9.1.1	**Net unauthorised overdrafts and accrued rental income**			
	Unauthorised overdrafts		6.67	5.08
	Accrued rental income		2.63	2.43
	Gross other financial assets at amortised cost		9.30	7.51
	Loss allowance		(8.45)	(5.43)
	Net other financial assets at amortised cost		**0.85**	**2.08**

9.1.2 Loss allowance reconciliation

	Notes	2018 12 months ECL $m	ECL - Not credit impaired $m	ECL - Credit impaired $m	ECL - Total $m
Gross carrying value					
Balance as at 1 January		2.43	-	5.08	7.51
		0.20	-	1.59	1.79
- Originations and repayments		0.20	-	1.59	1.79
Balance as at 31 December		**2.63**	**-**	**6.67**	**9.30**
Loss allowance					
Balance as at 1 January	6.5	1.73	-	3.81	5.54
Utilisation				(0.79)	(0.79)
Movement through profit and loss		0.05	-	3.65	3.70
- Originations and repayments		0.05	-	3.65	3.70
Balance as at 31 December		**1.78**	**-**	**6.67**	**8.45**

		Notes	31 December 2018 $m	31 December 2017 $m
9.2	**Equity investments**			
	Opening balance		0.94	0.85
	Fair value gain		0.92	0.09
	Closing balance		**1.86**	**0.94**

CABS equity investments are neither listed nor are they tracked on an active market. All equity investments are valued at fair value.

		31 December 2018 $m	31 December 2017 $m
9.3	**Inventory work in progress**		
	- ZRP housing project	5.88	7.38
	- Budiriro housing project	24.77	43.72
	- Pumula housing project	4.07	3.18
		34.72	**54.28**
9.3.1	**Housing projects - inventory work in progress**		
	Opening balance	54.28	57.09
	Additions	3.63	4.32
	Cost of sales	(20.83)	(5.98)
	Write down	(2.36)	(1.15)
		34.72	**54.28**

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		Notes	31 December 2018 $m	31 December 2017 $m
10	**Loans and advances**			
10.1	**Loans and advances analysis**			
	Gross amount owing		816.48	684.40
	Loss allowance	10.6	(36.83)	(15.58)
	Loans and advances		**779.65**	**668.82**
	Maturity analysis			
	On demand to 3 months		127.03	100.04
	3 months to 1 year		252.89	205.16
	1 year to five years		386.34	316.76
	Over 5 years		50.22	62.44
			816.48	**684.40**
10.2	**Concentration**			
	Housing		260.27	199.47
	Individuals		189.42	166.72
	Commercial and industrial		366.79	318.21
			816.48	**684.40**

10.3 Sectorial analysis of loans and advances

The Society monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances at the balance sheet date is shown below:

Sector	Notes	31 December 2018 $m	31 December 2017 $m
Agriculture		157.16	86.25
Construction and property		261.02	240.95
Energy and minerals		20.79	11.27
Light and heavy industry		59.86	30.83
Individuals		194.28	158.95
State and state enterprises		29.14	15.56
Trade and services		27.69	43.25
Transport and distribution		66.54	97.34
Total		**816.48**	**684.40**
Impairment	10.6	(36.83)	(15.58)
		779.65	**668.82**

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10.4 Aged analysis of loans and advances

The table below gives an aged analysis of loans and advances representing primarily the exposures of the Society's operations:

	Notes	31 December 2018 $m	31 December 2017 $m
Neither past due nor impaired		670.28	566.15
Past due but not impaired		99.25	74.97
Past due but less than 1 month		58.37	32.52
Past due, greater than 1 month but less than 3 months		40.88	42.45
Impaired loans and advances (non-performing loans)		46.95	43.28
Gross loans and advances		**816.48**	**684.40**
Provisions for impairment	10.6	(36.83)	(15.58)
Total net loans and advances		**779.65**	**668.82**
10.5 Commitment for loans and advances		**61.82**	**29.50**

10.6 Impairment Analysis

	Notes	2018 12 month ECL $m	Life time ECL not credit impaired $m	Life time ECL credit impaired $m	Total $m
Gross loans					
Balance as at 1 January		587.45	45.78	51.17	**684.40**
Write offs		-	-	(2.64)	**(2.64)**
Transfers		(81.94)	63.61	18.33	**-**
- Stage 1		19.69	(15.96)	(3.73)	**-**
- Stage 2		(88.19)	88.69	(0.50)	**-**
- Stage 3		(13.44)	(9.12)	22.56	**-**
Net movement in loans		172.15	(22.04)	(15.39)	**134.72**
- Impact of increase in loans		394.15	-	-	**394.15**
- Loan repayments		(222.00)	(22.04)	(15.39)	**(259.43)**
Balance as at 31 December 2018		**677.66**	**87.35**	**51.47**	**816.48**
Loss allowance					
Balance as at 1 January	6.5	10.94	2.92	20.64	**34.50**
Write offs		-	-	(2.64)	**(2.64)**
Utilisation		-	-	(2.60)	**(2.60)**
Transfers		(9.61)	2.29	7.32	**-**
- Stage 1		1.10	(0.31)	(0.79)	**-**
- Stage 2		(3.11)	3.21	(0.10)	**-**
- Stage 3		(7.60)	(0.61)	8.21	**-**
Net remeasurement		8.16	1.82	(2.41)	**7.57**
- Impact of increase in loans		15.91	-	-	**15.91**
- Loan repayments		(6.67)	(0.25)	(2.74)	**(9.66)**
- Changes in parameters		(1.08)	2.07	0.33	**1.32**
Balance as at 31 December 2018		**9.49**	**7.03**	**20.31**	**36.83**

		31 December 2018 $m	31 December 2017 $m
11	**Non-current assets held for sale**		
	Opening valuation	**1.10**	**1.41**
	Additions	-	0.21
	Disposals	(0.17)	(0.25)
	Fair value gain/(loss)	0.11	(0.27)
	Closing valuation	**1.04**	**1.10**

The Society intends to dispose the properties, that were repossessed from loan defaulters, in the foreseeable future.

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12 Property and equipment	Land $m	Buildings $m	Office Equipment $m	Vehicles $m	Total $m
31 December 2018					
Opening net book value	4.61	37.28	11.66	1.58	55.13
Additions	-	0.15	12.26	0.42	12.83
Revaluation gain	0.03	0.87	-	-	0.90
Depreciation charge	-	(0.75)	(4.14)	(0.55)	(5.44)
Closing net book value	**4.64**	**37.55**	**19.78**	**1.45**	**63.42**
Cost or valuation	4.64	37.55	37.50	3.87	83.56
Accumulated depreciation	-	-	(17.72)	(2.42)	(20.14)
Net book value	**4.64**	**37.55**	**19.78**	**1.45**	**63.42**
31 December 2017					
Opening net book value	4.43	35.34	9.23	1.34	50.34
Additions	-	0.41	5.98	0.77	7.16
Revaluation (loss)/gain	(0.05)	0.37	-	-	0.32
Other movements	0.23	1.86	-	-	2.09
Depreciation charge	-	(0.70)	(3.55)	(0.53)	(4.78)
Closing net book value	**4.61**	**37.28**	**11.66**	**1.58**	**55.13**
Cost or valuation	4.61	37.28	25.24	3.45	70.58
Accumulated depreciation	-	-	(13.58)	(1.87)	(15.45)
Net book value	**4.61**	**37.28**	**11.66**	**1.58**	**55.13**

If the revalued land and buildings had been measured under the cost model the carrying amount in the current year would have been; land $2.21 million (2017 $2.21 million) and buildings $14.30 million (2017 $14.66 million).

The properties were valued by Old Mutual Property Zimbabwe (Private) Limited's qualified valuers and the effective date of the valuation is 31 December 2018. A selected number of properties constituting at least 60% of the portfolio were independently valued by Bard Real Estate (Private) Limited, Homelux Real Estate and EPG Global and compared with values obtained by Old Mutual Property Zimbabwe (Private) Limited.

Assets pledged as security are disclosed in note 16.

Other movements is comprised of deferred capital gains tax on properties (note 19).

		31 December 2018 $m	31 December 2017 $m
13	**Investment property and operating leases**		
13.1	**Investment property**		
	Opening fair value	23.42	22.25
	Fair value adjustment	0.07	-
	Other movements	-	1.17
	Closing fair value	**23.49**	**23.42**

Details of the valuation methodology have been disclosed in note 12 and 21.

A full list of locations where land and buildings are situated can be viewed at the Society's head office at Northridge Park, Harare. The properties are leased out under operating leases to various tenants. The initial contracts are for a minimum period of twelve months after which they may be extended as negotiated.

Assets pledged as security are disclosed in note 16.

Other movements is comprised of deferred capital gains tax on properties (note 19).

13.2 Operating leases

13.2.1 Society as a lessee

Non-cancellable operating lease rentals are payable as follows:

	31 December 2018 $m	31 December 2017 $m
• Less than 1 year	0.63	0.73
• Between 1 and 5 years	2.93	3.39
	3.56	**4.12**

Some of the Society's banking halls are under operating leases. The leases typically run for an initial period of between one and three years, with an option to renew the lease after that date. Leases are reviewed regularly. None of these rentals include contingent liabilities. Operating lease expenses are disclosed as rental expenses.

13.2.2 Society as a lessor

The Society leases out its investment property under operating leases.

Operating lease rentals are receivable as follows:

	31 December 2018 $m	31 December 2017 $m
Less than 1 year	3.73	1.95
Between 1 and 5 years	17.28	9.03
	21.01	**10.98**

Rental income and repairs and maintenance are recognised as income and expense respectively in the statement of profit or loss. Operating lease income is disclosed as rental income.

		31 December 2018 $m	31 December 2017 $m
14	**Intangible assets**		
	Opening carrying amount		
	Cost or valuation	22.98	20.30
	Accumulated amortisation	(13.57)	(9.96)
		9.41	**10.34**
	Movement in intangible assets		
	Additions	1.63	2.68
	Amortisation charge	(3.18)	(3.61)
		(1.55)	**(0.93)**
	Closing carrying amount		
	Cost /valuation	24.61	22.98
	Accumulated amortisation	(16.75)	(13.57)
		7.86	**9.41**
15	**Deposits**		
	Money market deposits	594.62	525.70
	Term deposits	0.71	0.48
	Savings deposits	571.90	493.04
		1 167.23	**1 019.22**
	Maturity analysis		
	On demand to 3 months	986.91	693.80
	3 months to 1 year	55.45	190.29
	1 year to five years	55.29	66.86
	Over 5 years	69.58	68.27
	Gross nominal outflow	**1 167.23**	**1 019.22**

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15 Deposits (continued)

Concentration	31 December 2018 $m	Weight %	31 December 2017 $m	Weight %
Financial institutions	495.33	42.4%	436.09	42.8%
Companies	559.57	47.9%	470.79	46.2%
Individuals	112.33	9.7%	112.34	11.0%
	1 167.23	**100.0%**	**1 019.22**	**100.0%**

	31 December 2018 $m	31 December 2017 $m
16 Credit lines		
PTA Bank loan	19.62	10.18
Shelter Afrique	8.00	9.74
AFDB Loan	25.68	-
Proparco Loan	-	3.40
	53.30	**23.32**
Maturity analysis		
On demand to 3 months	4.58	0.68
3 months to 1 year	10.94	8.63
1 year to five years	37.78	14.01
	53.30	**23.32**

	Tier of debt	Nominal value	First Call Date	Maturity Date	Type of loan
PTA Bank loan USD25 Million 3 months LIBOR + 6.75%	Senior	19.62	Oct-17	Mar-21	Term loans
Shelter Afrique USD9.6 million base rate 8.19% + margin rate of 4%	Senior	5.82	Jul-14	Dec-23	Term loans
Shelter Afrique USD4.8 million base rate 8.19% + margin rate of 5%	Senior	2.18	Jul-14	Sep-22	Term loans
AFDB USD25 Million Loan 6 months libor + 6.5%	Senior	25.68	Sep-18	Sep-21	Term loans
Total		**53.30**			

As security for the PTA Bank loan, the Society registered bonds of $7 million and issued powers of attorney to register bonds (in the event of default) over properties with a total value of $45.07 million as at 31 December 2018 (both investment properties and owner occupied properties). The Shelter Afrique loan is secured by a guarantee from OMZIL as well as a cession of the performing loan book covering two times the exposure at any given time.

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		Notes	31 December 2018 $m	31 December 2017 $m
17	**Trade and other liabilities**			
	Trade creditors		33.20	18.67
	Cash-settled share based liability		0.04	-
	Other liabilities		2.41	2.50
	Deferred Revenue		10.20	8.20
			45.85	**29.37**
18	**Provisions**			
	Opening balance		2.77	5.47
	Net movements		2.21	(2.70)
	Closing balance		**4.98**	**2.77**

Provisions comprise of audit fees, deposit protection fees, and others. These are expected to be utilised within a period of no more than twelve months from the reporting date.

19	**Deferred taxation**		**3.29**	**3.26**

Deferred tax is comprised of potential capital gains tax on properties.

		Notes	31 December 2018 $m	31 December 2017 $m
20	**Share capital and reserves**			
20.1	**Ordinary class "A" share capital**		**35.00**	**35.00**

Comprising 35 000 000 authorised, issued and fully paid shares of $1 each.

The Board may at its discretion from time to time issue Ordinary class "A" shares in denominations of $1 each or multiples thereof and all such shares shall carry dividends payable out of the available surplus of the Society.

		Notes	31 December 2018 $m	31 December 2017 $m
20.2	**Retained earnings**			
	Opening balance		109.99	99.32
	Impact of adopting IFRS 9 at 1 January 2018	6.6	(1.72)	-
	Restated balance 1 January 2018		108.27	99.32
	Net surplus for the year		49.24	42.11
	Dividend payable		(25.00)	(30.00)
	Regulatory loan loss provision		(5.18)	(1.44)
	Closing balance		**127.33**	**109.99**
20.3	**Regulatory provision reserve**			
	Opening balance		17.95	16.51
	Impact of adopting IFRS 9 at 1 January 2018	6.6	(17.95)	-
	Restated balance 1 January 2018		-	16.51
	Regulatory impairment allowance		5.18	1.44
	Closing balance		**5.18**	**17.95**
20.4	**Non-distributable reserve**		**1.45**	**1.45**

The reserve relates to amounts which are not available for distribution to Shareholders.

		31 December 2018 $m	31 December 2017 $m
20.5	**Revaluation reserve**		
	Opening balance	18.77	18.45
	Revaluation of properties	0.86	0.32
	Closing balance	**19.63**	**18.77**

The revaluation reserve relates to the revaluation of properties.

		31 December 2018 $m	31 December 2017 $m
20.6	**Share based payment reserve**		
	Opening balance	5.63	5.35
	Share based payment reserve	0.16	0.28
	Closing balance	**5.79**	**5.63**

The reserve relates to the cost incurred by the Society for transactions which are equity settled.

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21 Determination of fair value of financial and non-financial assets

21.1 Fair value hierarchy

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, listed government securities and other listed debt securities and similar instruments that are actively traded.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

The Society deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. Financial instruments whose carrying amount approximate fair value have been excluded from the analysis below.

	Notes	Level 1 US $m	Level 2 US $m	Level 3 US $m	Total US $m
As at 31 December 2018					
Assets at fair value through profit or loss					
Investment in equity	9	-	-	1.86	1.86
Investment property	13.1	-	-	23.49	23.49
Non-current assets held for sale	11	-	-	1.04	1.04
Assets at fair value through other comprehensive income					
Owner occupied property (land and buildings)	12	-	-	42.19	42.19
		-	**-**	**68.58**	**68.58**
As at 31 December 2017					
Assets at fair value through profit or loss					
Investment securities	8.1	-	233.53	-	233.53
Investment property	13.1	-	-	23.42	23.42
Non-current assets held for sale	11	-	-	1.10	1.10
Assets at fair value through other comprehensive income					
Owner occupied property (land and buildings)		-	-	41.89	41.89
		-	**233.53**	**66.41**	**299.94**

21.2 Reconciliation of level 3 items	31 December 2018 $m	31 December 2017 $m
Balance as at 1 January	**66.41**	**63.43**
Additions	0.15	0.62
Disposal of non-current asset held for sale	(0.17)	(0.25)
Transfer in (investment in equity)	1.86	-
Depreciation recognised on owner occupied property	(0.75)	(0.70)
Other movements - deferred tax on properties	-	3.26
Gains or losses for the period:		
Fair value gain on investment property	0.18	(0.27)
Revaluation gain on owner occupied property	0.90	0.32
Balance as at 31 December	**68.58**	**66.41**

The fair value of the Society's properties are categorised into Level 3 of the fair value hierarchy through their use of unobservable units.

21.3 Fair value estimation

The table below analyses assets carried at fair value, by the valuation method. The different levels have been defined as follows: quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1), inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2), and inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiples applied to the main financial indicators (such as adjusted earnings). The source of these multiples may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

Assets	Valuation technique and inputs
Owner occupied property (land and buildings)	Sales comparison method - market rentals and yields
Investment Property	Sales comparison method - market rentals and yields
Non-current assets held for sale	Sales comparison method - market rentals and yields
Investment in equity	Income approach - discount rates, cashflows and growth

Type of property	Valuation approach	Key unobservable inputs	Inter-relationship between unobservable inputs and the fair value measurement
Office, Retail and Industrial Properties	Income capitalisation	Rental income per square metre; capitalisation rates; and vacancies	The estimated fair value would increase if: >net rental income increased; >capitalisation rates decreased; and >vacancies decreased. The estimated fair value would decrease if the unobservable inputs changed the other way.
Residential property	Sales comparison approach.	Price for comparable properties	The estimated fair value would increase if prices for comparable properties increased. The estimated fair value would decrease if the unobservable inputs changed the other way.
Land	Sales comparison approach.	Price for comparable properties	The estimated fair value would increase if prices for comparable properties increased. The estimated fair value would decrease if the unobservable inputs changed the other way.
Investment in securities	Discounted cash flows (DCF) EBITDA multiples, price earnings ratios, adjusted net asset values, and discounted dividend growth model	Valuation multiples, volatilities, credit spreads, dividend growth rates, internal rates of return, cost of capital and risk premiums	The estimated fair value would increase if the discount rates were decreased. The estimated fair value would decrease if the unobservable inputs changed the other way.

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21.4 Fair value hierarchy for assets and liabilities not measured at fair value

Certain financial instruments of the Society are not carried at fair value, principally investments and securities, loans and advances, credit lines and other financial assets and financial liabilities at amortised cost. The calculation of the fair value of these financial instruments represents the Society's best estimate of the value at which these financial assets could be exchanged, or financial liabilities transferred, between market participants at the measurement date. The Society's estimate of fair value does not necessarily represent the amount it would be able to realise on the sale of the asset or transfer the financial liability in an involuntary liquidation or distressed sale.

The table below shows the fair value hierarchy only for those assets and liabilities for which the fair value is different to the carrying value and which is being estimated for the purpose of IFRS disclosure. Additional information regarding these and other financial instruments not carried at fair value is provided in the narrative following the table.

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
31 December 2018					
Financial assets					
Treasury bills	225.40	-	-	220.10	220.10
31 December 2017					
Financial assets					
Treasury bills	186.89	-	-	186.89	186.89

Investment securities

For investment securities other than Treasury Bills presented within note 8 at amortised cost in terms of IFRS 9 and therefore not carried at fair value, the fair value has been determined based either on discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 3).

Loans and advances

Loans and advances presented within note 10 at amortised cost in terms of IFRS 9 and therefore not carried at fair value, principally comprise of fixed rate financial assets and are classified as Level 3.

Loans and advances are not actively traded in most markets and it is therefore not possible to determine the fair value of these loans and advances using observable market prices and market inputs. Due to the unique characteristics of the loans and advances portfolio and the fact that there have been no recent transactions involving the disposals of such loans and advances, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The Society is not currently in the position of a forced sale of such underlying loans and advances and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

For specifically impaired loans and advances, the carrying value as determined after consideration of the Society's IFRS 9 credit impairments, is considered the best estimate of fair value.

Credit lines

Credit lines presented within note 16 as financial liabilities at amortised cost in terms of IFRS 9 are not carried at fair value. The fair value is determined using either available market prices (Level 1) or discounted cash flow analysis where an instrument is not quoted or the market is considered to be inactive (Level 2)

22 Related party disclosures

Group companies

The Society is a wholly owned subsidiary of Old Mutual Zimbabwe Limited (OMZIL), a company with interests in insurance, asset management, unit trusts and property management. The ultimate holding company is Old Mutual Limited which is a Company incorporated and registered in South Africa.

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A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and Investment securities. The Society's assets are insured through a related party (Old Mutual Insurance Company (Private) Limited), a subsidiary of the holding company, OMZIL. Other fellow Group companies are as follows:

Subsidiaries of the parent company, OMZIL

- CABS Custodial Services (Private) Limited;
- Old Mutual Finance (Private) Limited;
- Old Mutual Investment Group Zimbabwe (Private) Limited;
- Old Mutual Life Assurance Company Zimbabwe Limited;
- Old Mutual Property Zimbabwe (Private) Limited;
- Old Mutual Securities (Private) Limited;
- Old Mutual Shared Services (Private) Limited; and
- RM Insurance Holdings (100% shareholder of Old Mutual Insurance Company (Private) Limited).

Key management personnel

Key management personnel include members of the Executive Committee who are the Managing Director, Deputy Managing Director, Chief Financial Officer, Head of Corporate Banking, Head of Retail Banking, Head of Risk, General Manager - Operations, Head of Treasury, Head of Compliance, Head of Credit, the Marketing Executive and the Head of Information and Communication Technology.

		31 December 2018 $m	31 December 2017 $m
22.1	**Loans to Directors**		
	Opening balance	16.77	16.38
	Granted during the year	-	0.22
	Interest and insurance charges	2.10	0.58
	Repayments during the year	(2.97)	(0.41)
	Closing balance	**15.90**	**16.77**

Loans and advances to Directors are made on the same terms and conditions as in the normal course of business at arm's length, with the exception of executive Directors which are in accordance with staff loan schemes. Included in loans to Directors is a secured facility granted to Stiefel Investments (Private) Limited (in which a former non-executive Director and an existing non-executive Director have interests) for the purchase of 3.5% of the issued and fully paid shares in the capital of OMZIL (as a special condition allowance), in pursuance of OMZIL's Indigenisation Plan as agreed with the Minister of Youth, Indigenisation and Economic Empowerment.

		31 December 2018 $m	31 December 2017 $m
22.2	**Balances with Old Mutual Group companies** During the year the Society had transactions with Old Mutual Group companies and the outstanding balances at year end were:		
	Amounts due to fellow subsidiaries	(250.12)	(238.33)
	Amounts due from fellow subsidiaries	0.02	0.42
	Amounts due to the holding company	-	(0.19)
22.3	**Transactions with Old Mutual Group companies** The Society entered into normal business transactions with Old Mutual Group companies. Income earned and interest paid in respect to these transactions as listed below:		
	Insurance paid to Old Mutual Insurance Company (Private) Limited	0.82	0.91
	Interest payable to fellow subsidiaries	8.99	9.78
	Fees payable to Old Mutual Property (Private) Limited	0.97	0.51
	Outsource services to Old Mutual Shared Services (Private) Limited	5.52	5.96

		31 December 2018 $m	31 December 2017 $m
22.4	**Loans to executives and senior management**	**2.29**	**1.18**
	These loans were granted at arm's length.		
22.5	**Compensation of key management personnel**		
	The remuneration of Directors and other members of key management during the year was as follows:		
	Short term benefits	5.99	4.78
	Post employment benefits	0.18	0.25
	Share based payments	0.22	0.28
		6.39	**5.31**
22.6	**Directors fees**	**0.28**	**0.29**

23.1 Old Mutual Group Pension Fund - Defined contribution fund

The pension fund is a defined contribution pension fund and the amount of benefits is determined by contributions made into the fund plus profits that are declared from time to time by the fund's trustees. The contributions to the pension fund by the employer are charged to the statement of profit or loss.

23.2 National Social Security Authority (NSSA)

All employees are members of the National Social Security Authority, which includes the Workmen's Compensation Fund, to which both the employer and the employees contribute.

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24 Share-based payments

24.1.1 Equity settled share option program

Indigenisation Transaction

In 2012 the Society, through its holding company OMZIL, entered into an indigenisation transaction under the Indigenisation and Economic Empowerment (General) Regulations (Chapter 14:33). Eligible participants received share allocations under various trusts. The allocations represent a share based payment transaction as defined in IFRS 2 (Share Based Payment). The shares allocated are issued and fully paid shares in the capital of OMZIL.

OMZIL Management Incentive Share Scheme

This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Share allocations vest three years after the allocation date, subject to the condition that the participant remains in the OMZIL Group's employment for the three years. Prior to vesting, participants are to be paid dividends in respect of the shares allocated.

		31 December 2018 $m	31 December 2017 $m
24.1.2	**Composition of share-based payment liabilities**		
	Total liability	**5.79**	**5.63**

	31 December 2018 Number of shares (m)	31 December 2017 Number of shares (m)
Movement relating to share entitlements and awards during the year are as follows:		
Outstanding, at beginning of year	0.77	1.07
Forfeited during year	-	(0.02)
Exercised during year	(0.30)	(0.28)
Outstanding, at end of year	**0.47**	**0.77**

As stated above, the shares available for the share schemes were acquired and warehoused in special purpose vehicles at the parent company, Old Mutual Zimbabwe Limited (OMZIL). The equity-settled share based payment reserve is maintained in the company from the date of issue of the share allocations. On vesting settlement will be made through the special purpose vehicles controlled by OMZIL.

24.2.1 Cash settled share program

Broad Based Employee Share Plan (BBESP)

During the year OMZIL granted share awards to all eligible employees as part of the primary listing of Old Mutual Limited on the Johannesburg Stock Exchange (JSE). All permanent employees of the Group on the date of listing of Old Mutual Limited were eligible to participate, provided that they were still permanently employed by OMZIL on the grant date of 18 September 2018.

All participants received a fixed Rand value offer of R10 000 converted into the local currency after reducing the award by the amount needed to cover the tax liability on the award for each employee in compliance with tax legislation which states that share awards are taxable on grant. The actual number of shares granted to each employee was calculated on the grant date using the price of the Old Mutual Limited share on the JSE.

The BBESP award will be restricted for a period of two years from the grant date. Participants are entitled to receive dividends in respect of the share awards during the restricted period. At the end of the restricted period, the value of the vested share awards will be paid in cash to the participants. The BBESP awards will not be subject to performance conditions, however, the award is subject to the condition that participants remain employed by the Group during the restricted period.

The fair value of services received in return for the BBESP is measured by reference to the fair value of share entitlements granted over the service period. The fair value is measured using the closing price of the Old Mutual Limited share on the JSE at each reporting date. The cash-settled share based payment liability is maintained in the Society and remeasured at each balance sheet date during the period up to exercise of the share options, with changes in fair value recorded in profit or loss.

		31 December 2018 $m	31 December 2017 $m
24.2.2	**Composition of share-based payments liability**	0.04	-

	31 December 2018 Number of shares (m)	31 December 2017 Number of shares (m)
Movement relating to share entitlements and awards during the year are as follows:		
Outstanding, at beginning of year	-	-
Granted during year	0.16	-
Outstanding, at end of year	**0.16**	**-**

Shares exercised during the year were exercised at an average price of $1.09(2017: $1.40).

The shares are listed on the Finsec Automated Trading platform(ATP). The ATP price as at 31 December 2018 was $4.95 (2017: $2.05).

25 Risk management

CABS' risk management framework is enshrined in the three lines of defence principle of enterprise risk management, where all officers in the institution are responsible for risk management, albeit with differing levels of responsibility.

The seven principles of CABS' enterprise risk management policy are: risk management strategy; risk governance; risk culture; risk appetite and limits; identification, management, monitoring and reporting; risk acceptance; and risk control self assessments.

CABS's risk universe is clearly defined, monitored and managed through the Society's risk management framework. The Society's major risks are:

- Credit risk;
- Liquidity risk;
- Market risk;
- Compliance risk;
- Operational risk;
- Strategic risk; and
- Reputational risk.

25.1 Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Society considers and consolidates all elements of risk exposure (such as individual obligor default risk, country and sector risk).

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

Past due but not impaired loans

These are loans and securities where contractual interest or principal payments are past due but the Society believes that impairment is not appropriate, on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Society.

Exposure to counterparties

The Society is also exposed to counterparties arising from money market trading.

Loans and advances renegotiated

Restructuring of loans include extended repayment arrangements, modifications and deferral of repayments. Restructuring policies and practices are based on indicators and criteria that in the judgment of management, indicate that repayments will most likely continue. These policies are kept under continuous review.

The Management Credit Committee

The Management Credit Committee (MCC) is responsible for implementing the Board approved risk management strategies and policies for the management of credit risk under the oversight of the Board Credit Committee. The applicable activities include:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Senior Managers, members of MCC, the Board Credit Committee and the Board of Directors according to the size of facility;
- Reviewing and assessing credit risk. The Society's Board Credit Committee assesses all credit exposures in excess of designated limits prior to facilities being committed to customers. Renewal and review of facilities are subject to the same review process;
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market and liquidity (for investment securities);
- Reviewing compliance with agreed exposure limits including those for selected industries and product types. Regular reports are provided to the Society's Board Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to promote best practice throughout the Society in the management of credit risk; and

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- Regular audits of the Society's credit processes are undertaken by the Old Mutual Group Internal Audit and the Society's Internal Audit.
- Capital requirements for credit risk are subject to Basel II Modified Standardised approach.

Write off policy
The Society writes off a loan when the Society's Credit Committee determines that the loans/securities are uncollectible. The determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral
Credit risk mitigation refers to the actions that can be taken by the Society to manage its exposure to credit risk so as to align such exposure with its risk appetite. This is influenced by external forces such as the economic cycle or internal factors such as a change in risk appetite. Credit risk mitigation normally focus on the taking of collateral as well as the management of such collateral. In granting a credit facility the Society considers both the counterparty's collateral and financial position. Should a counterparty be unable to settle its obligations, the Society takes possession of collateral as full or part settlement of such amounts. In general, the Society seeks to dispose the collateral which is not readily convertible into cash as soon as the market for the relevant asset permits. Non-current assets held for sale (note 11) represents repossessed collateral property which the Society intends on converting into cash within the coming year. The Society generally segregates collateral received into the following two classes:

Financial collateral
The Society takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions.

These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

Non-financial collateral
In secured financial transactions the Society takes other physical collateral to recover outstanding exposure in the event of the borrower being unable or unwilling to fulfil its obligations. This includes mortgages over property (both residential and commercial), liens over business assets (including, but not limited to, plant, vehicles, aircraft, inventories, trade debtors and financial securities that have a tradable market, such as shares and other securities) and guarantees from parties other than the borrower.

The valuation and management of collateral is governed by the Credit Policy. The total registered collateral value for advances was $528.50 million (2017:$418.32 million).

The Society holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Collateral held and other credit enhancements

Percentage of exposure subject to collateral requirements	31 December 2018 %	31 December 2017 %	Principal type of collateral held
Type of credit exposure			
Treasury Bills	0%	0%	None
Fixed deposits	100%	100%	Treasury Bills
Mortgage loans	100%	100%	Property
Corporate loans	100%	100%	Property and Guarantees
Consumer loans	85%	85%	Insurance

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The following tables stratify credit exposures from mortgage loans and advances by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for loans and advances is based on the collateral value at origination updated based on changes in house price indices.

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Society generally requests that corporate borrowers provide it. The Society may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. Because of the Society's focus on corporate customers' creditworthiness, the Society does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely.

For credit-impaired loans, the Society obtains appraisals of collateral because it provides input into determining the management credit risk actions.

	31 December 2018 US$m	31 December 2017 US$m
LTV ratio		
Non credit impaired loans		
Less than 50%	19.45	15.07
51% to 75%	34.45	29.67
76% to 100%	113.56	128.14
More than 100%	65.51	52.11
Total	**232.97**	**224.99**
Credit impaired loans		
Less than 50%	0.59	0.97
51% to 75%	1.09	0.90
76% to 100%	3.38	5.18
More than 100%	23.62	25.66
Total	**28.68**	**32.71**

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Society during the year by taking possession of collateral held as security against loans and advances and held at the year end, are shown below.

	31 December 2018 US$m	31 December 2017 US$m
Property	-	-

The Society's policy is to pursue timely realisation of the collateral in an orderly manner. The Society does not generally use the non-cash collateral for its own operations.

Regulatory Loan Loss Provisioning
Provisioning is determined on the basis of account classification whereby provisions are uniformly determined for specific grades. The Society establishes an allowance for impairment based on the class of each loan and in line with the RBZ guidelines on provisions. The provisioning methodology is summarised below:

2018

Class	Type	Provisioning criteria	Gross loans $m	Allowance for impairment $m	Net loans $m
Grade A,B,C	Pass	1-2% general provision	600.77	11.23	589.54
Grade D,E,F,G	Special mention	3-10% general provision	168.40	8.11	160.29
Grade H	Sub standard	20% specific provision on balance less security value	7.89	3.39	4.50
Grade I	Doubtful	50% of total outstanding balance less security value	7.24	2.01	5.23
Default	Loss	100% of total outstanding balance less security held	32.18	17.26	14.92
		Portfolio total	**816.48**	**42.00**	**774.48**

2017

Class	Type	Provisioning criteria	Gross loans $m	Allowance for impairment $m	Net loans $m
Grade A,B,C	Pass	1-2% general provision	515.50	9.42	506.08
Grade D,E,F,G	Special mention	3-10% general provision	124.74	7.12	117.62
Grade H	Sub standard	20% specific provision on balance less security value	4.49	1.33	3.16
Grade I	Doubtful	50% of total outstanding balance less security value	8.24	2.11	6.13
Default	Loss	100% of total outstanding balance less security held	31.43	13.55	17.88
		Portfolio total	**684.40**	**33.53**	**650.87**

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The Society also takes into account provisions requirement of IFRS 9 (Financial Instruments) and makes the most prudent provisions for its loans and advances based on the two methods. Where the regulatory provisions are higher than the IFRS 9 impairment, the excess is treated as an appropriation from retained earnings.

25.2 Liquidity risk
Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations for its financial liabilities. The key measures used by the Society for managing liquidity risk are the Liquidity Ratio and the Liquidity Gap.

Liquidity ratio
The Liquidity Ratio is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and liabilities maturing within the same short term period.

Liquidity gap
The Liquidity gap is the difference between assets and liabilities in a given maturity period.

The Society manages its contractual liquidity gap through treasury operations to acquire deposits of suitable tenor and price from the market. As a contingency the Society has also entered into liquidity support arrangements with suitable counter parties, to which it has ready access, in need.

Assets and Liabilities Committee
The Assets and Liabilities Committee (ALCO) is responsible for the management of liquidity risk under the oversight of the Board Risk and Compliance Committee and the Board. All liquidity policies and procedures are subject to review and approval by ALCO, the Board Risk and Compliance Committee and the Board.

The Society's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The daily liquidity position of the Society is managed by the treasury department in liaison with the relevant departments.

The Society monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) as well as the submission of monthly liquidity returns to the Reserve Bank of Zimbabwe (RBZ). In addition the Society matches long term liabilities to long term investments and this is monitored through the Board Risk and Compliance Committee.

Details of the liquidity ratio as at 31 December are given below:

	31 December 2018 $m	31 December 2017 $m
Total liquid assets	500.54	398.34
Total liabilities to the public	1 220.53	1 042.53
Liquidity ratio	41%	38%
Maximum for the period	43%	38%
Minimum for the period	31%	33%
Average for the period	38%	36%

25.2.1 Liquidity gap analysis as at 31 December 2018

	On demand to 3 months $m	3 months to 1 year $m	1 year to 5 years $m	Over 5 years $m	Non-determinant maturity $m	Total $m
Assets						
Cash and cash equivalents	167.48	-	-	-	-	167.48
Investment securities	175.77	77.59	54.90	24.81	-	333.07
Loans and advances	121.29	241.49	274.83	142.04	-	779.65
Other assets	-	-	-	-	93.02	93.02
Intangible assets	-	-	-	-	7.86	7.86
Property and equipment	-	-	-	-	63.42	63.42
Investment property	-	-	-	-	23.49	23.49
Non-current assets held for sale	-	-	-	-	1.04	1.04
Total assets	**464.54**	**319.08**	**329.73**	**166.85**	**188.83**	**1 469.03**
Liabilities						
Deposits	986.91	55.45	55.29	69.58	-	1 167.23
Credit lines	4.58	10.94	37.78	-	-	53.30
Other liabilities	-	-	-	-	43.44	43.44
Provisions	-	-	-	-	7.39	7.39
Deferred taxation	-	-	-	-	3.29	3.29
Shareholders' equity	-	-	-	-	194.38	194.38
Total liabilities	**991.49**	**66.39**	**93.07**	**69.58**	**248.50**	**1 469.03**
Net liquidity gap	**(526.95)**	**252.69**	**236.66**	**97.27**	**(59.67)**	**-**
Cumulative liquidity gap	**(526.95)**	**(274.26)**	**(37.60)**	**59.67**	**-**	**-**

Liquidity gap analysis as at 31 December 2017

	On demand to 3 months $m	3 months to 1 year $m	1 year to 5 years $m	Over 5 years $m	Non-determinant maturity $m	Total $m
Assets						
Cash and cash equivalents	164.81	-	-	-	-	164.81
Investment securities	95.82	42.53	90.15	5.03	-	233.53
Loans and advances	100.04	205.16	316.76	46.86	-	668.82
Other assets	-	-	-	-	110.51	110.51
Intangible assets	-	-	-	-	9.41	9.41
Property and equipment	-	-	-	-	55.13	55.13
Investment property	-	-	-	-	23.42	23.42
Non-current assets held for sale	-	-	-	-	1.10	1.10
Total assets	**360.67**	**247.69**	**406.91**	**51.89**	**199.57**	**1 266.73**
Liabilities						
Deposits	693.80	190.29	66.86	68.27	-	1 019.22
Credit lines	0.68	8.63	14.01	-	-	23.32
Other liabilities	-	-	-	-	29.37	29.37
Provisions	-	-	-	-	2.77	2.77
Deferred taxation	-	-	-	-	3.26	3.26
Shareholders' equity	-	-	-	-	188.79	188.79
Total liabilities	**694.48**	**198.92**	**80.87**	**68.27**	**224.19**	**1 266.73**
Net liquidity gap	**(333.81)**	**48.77**	**326.04**	**(16.38)**	**(24.62)**	**-**
Cumulative liquidity gap	**(333.81)**	**(285.04)**	**41.00**	**24.62**	**-**	**-**

25.3 Market risk
Market risk is the risk that the Society's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market prices such as interest rates, credit spreads, equity prices and foreign exchange rates. Most market risks arise from trading activities. The Society is primarily exposed to interest rate risk arising from financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

25.3.1 Exposure to interest rate risk

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and liabilities to various standard and non standard interest rate scenarios. Capital requirements for market risk are subject to Basel II standardised approach.

Sensitivity analysis
At the reporting date, the net interest income sensitivity of the banking book for a 2% parallel reduction in interest rates measured over 12 months is a decrease in net interest income of approximately $0.93 million (2017: $1.25 million), which is within the board's approved risk limit.

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25.3.1 Exposure to interest rate risk (continued)

	31 December 2018 $m	31 December 2017 $m
	Impact on Net interest income	Impact on Net interest income
Increase/(Decrease) in interest rates		
(2)%	0.93	1.25
(1)%	0.47	0.63
(0.50)%	0.23	0.31
0.50%	(0.23)	(0.31)
1%	(0.47)	(0.63)
2%	(0.93)	(1.25)

Interest rate repricing gap
The Interest Rate Repricing Gap is the difference between interest bearing assets and interest bearing liabilities in a given maturity interval."

25.3.1.1 Interest rate repricing and gap analysis 2018

	On demand to 3 months $m	3 months to 1 year $m	1 year to 5 years $m	Over 5 years $m	Non-Interest bearing $m	Total $m
Assets						
Investment securities	175.77	77.59	54.90	24.81	-	333.07
Loans and advances	121.29	241.49	274.83	142.04	-	779.65
Total assets	**297.06**	**319.08**	**329.73**	**166.85**	**-**	**1 112.72**
Liabilities						
Deposits	450.38	55.45	55.29	69.58	-	630.70
Credit lines	4.58	10.94	37.78	-	-	53.30
Total liabilities	**454.96**	**66.39**	**93.07**	**69.58**	**-**	**684**
Net liquidity gap	**(157.90)**	**252.69**	**236.66**	**97.27**	**-**	**428.72**
Cumulative interest rate repricing liquidity gap	**(157.90)**	**94.79**	**331.45**	**428.72**	**428.72**	**428.72**

Interest rate repricing and gap analysis 2017

	On demand to 3 months $m	3 months to 1 year $m	1 year to 5 years $m	Over 5 years $m	Non-Interest bearing $m	Total $m
Assets						
Financial assets at fair value through profit or loss	95.82	42.53	90.15	5.03	-	233.53
Loans and advances	100.04	205.16	316.76	46.86	-	668.82
Total assets	**195.86**	**247.69**	**406.91**	**51.89**	**-**	**902.35**
Liabilities						
Deposits	338.04	69.17	66.86	68.27	-	542.34
Credit lines	0.68	8.63	14.01	-	-	23.32
Total liabilities	**338.72**	**77.80**	**80.87**	**68.27**	**-**	**565.66**
Net liquidity gap	**(142.86)**	**169.89**	**326.04**	**(16.38)**	**-**	**336.69**
Cumulative interest rate repricing liquidity gap	**(142.86)**	**27.03**	**353.07**	**336.69**	**336.69**	**336.69**

25.3.2 Exposure to foreign currency risk
The Society is exposed to exchange rate movement of various currencies against the United States dollar. Below are the foreign currency exposures for the Society as at 31 December.

	Exchange rate as at 31 December 2018	Exchange rate as at 31 December 2017
Currency name		
South African Rands (ZAR)	14.43	12.40
Great British pound (GBP)	1.27	1.35
EURO	1.14	1.20
Botswana Pula (BWP)	0.09	0.10
Swiss Franc (CHF)	1.01	0.98

	Assets Cash and cash equivalents 2018	Assets Cash and cash equivalents 2017	Net $ equivalent as at 31 December 2018	Net $ equivalent as at 31 December 2017	Effect of 10% depreciation 2018	Effect of 10% depreciation 2017	Effect of 10% appreciation 2018	Effect of 10% appreciation 2017
South African Rands	**ZAR**	**ZAR**	**$**	**$**	**$**	**$**	**$**	**$**
	16.65	21.98	1.15	1.77	(0.12)	(0.18)	0.12	0.18
Great British Pounds	**GBP**	**GBP**	**$**	**$**	**$**	**$**	**$**	**$**
	0.07	0.04	0.09	0.06	(0.01)	(0.01)	0.01	0.01
EURO	**EURO**	**EURO**	**$**	**$**	**$**	**$**	**$**	**$**
	0.41	0.29	0.47	0.34	(0.05)	(0.03)	0.05	0.03
Botswana Pula (BWP)	**PULA**	**PULA**	**$**	**$**	**$**	**$**	**$**	**$**
	0.05	0.39	0.01	0.04	-	-	-	0.03
CHF	**CHF**	**CHF**	**$**	**$**	**$**	**$**	**$**	**$**
	-	0.01	-	0.00	-	-	-	0.03

25.4 Compliance risk
Compliance risk is the risk that the Society fails to comply with the letter and spirit of all statutes, supervisory requirements and industry codes of conduct which apply to its business.

The Society seeks to bring the highest standards of compliance best practice in all areas of our operations. The Society has an independent compliance function that ensures compliance with all regulatory requirements under the oversight of the Board Risk and Compliance and the Board Audit Committees and the Board.

Compliance environment
Compliance risk is managed through a Board approved Compliance Programme, the Anti Money Laundering (AML), Counter Terrorist Financing (CTF) and Sanctions Screening Programme (SSP) as well as internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The compliance function provides advice of regulatory and other issues pertaining to the business. The compliance function independently monitors departments to ensure adherence to policies and procedures and other technical requirements.

25.5 Operational risks
The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Management Executive Committee (EXCO) under the oversight of the Board Risk and Compliance Committee.

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This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Reconciliation and monitoring of transactions;
- Appropriate segregation of duties including the independent authorisation of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation including insurance where it is effective;
- Development of contingency plans; and
- Reporting of risks and operational losses to the risk department.

Compliance with the Society's operational policies and standards is supported by periodic reviews undertaken by Group Internal Audit. The results of these audits are discussed with the management of the department to which they relate and summaries are submitted to EXCO and the Board Audit Committee. Capital requirements for operational risk are subject to Basel II Alternative Standardised approach.

25.6 Strategic risk
EXCO is responsible for the implementation of the Board approved strategic risk policy under the oversight of the Board Risk and Compliance Committee and the Board. In implementing the Society's strategy, the Board and EXCO determine and allocate financial and operating targets to departments. Monitoring of progress against the action plans is done on a monthly basis and strategic risk mitigation is done through the formulation and implementation of operational (action) plans.

25.7 Reputational risk
The Board has delegated responsibility for effective management of reputational risk to the Board Risk and Compliance Committee and to EXCO. Board approved reputational risk management policies are in place. Line management has the primary responsibility for reputational risk identification and mitigation. Reputational risk management and monitoring is done in the following ways:

- Communication of information about the Society to the public or press releases is done in line with the provisions of the internal and external communications policies and with approval from EXCO. This facilitates building the Society's reputational capital (through positive information) and minimising the impact of adverse reputational risk events;
- All material events that have a potential to impact the Society's reputation are immediately escalated to the Marketing Executive, Managing Director, Head of Compliance and Head of Risk; and
- Any exposures to reputational risk are captured in the internal risk events log, with controls to mitigate the risk.

26 Risks and ratings
The RBZ conducts regular examinations of the banks and financial institutions it regulates. The latest Onsite Examination of the Society was in May 2018 and the overall assessment resulted in a rating of 2 (Satisfactory) on the CAMELS scale. The CAMELS rating evaluates financial institutions on Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk.

The CAMELS and Risk Assessment ratings are summarised below:

CAMELS Component	May 2018 Ratings
Capital	1 - Strong
Asset Quality	3 - Fair
Management	3 - Fair
Earnings	1 - Strong
Liquidity and funds management	2 - Satisfactory
Sensitivity to market risk	2 - Satisfactory
Overall composite rating	2 - Satisfactory

Key

1. Strong	2. Satisfactory	3. Fair	4. Weak	5. Critical

Summary of Risk Matrix - for RBZ Onsite Inspection of May 2018

Type of Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	Moderate	Acceptable	Moderate	Increasing
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign Exchange	Low	Acceptable	Low	Stable
Interest Rate	Moderate	Acceptable	Moderate	Increasing
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	High	Acceptable	High	Stable
Legal and Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

Interpretation of the Risk Matrix

Levels of inherent risk

Low	Reflects lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the institution's overall functional condition.
Moderate	Could reasonably be expected to result in a loss, which could be absorbed by a banking institution in the normal course of business.
High	Reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of risk management systems

Weak	Risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures.
Acceptable	Management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, those have to be recognised and are being addressed. Management information systems are generally adequate.
Strong	Management effectively identifies and controls all types of risk areas posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are in place. The policies comprehensively define the banking institution's risk tolerance. Responsibilities and accountabilities are effectively communicated.

Overall composite risk

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

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Direction of overall composite risk

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

27 Capital Management

The RBZ sets and monitors capital requirements for the Society through quarterly BSD1 returns. In implementing current capital requirements, the RBZ requires the Society to maintain a minimum capital requirement of $20 million and capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighted assets. As at 31 December 2018 the Society was compliant.

The Society's regulatory capital is analysed into two tiers:

- Tier 1 capital which includes ordinary paid up capital, share premium, retained earnings and general reserves after deducting goodwill, intangible assets and exposure to insiders and connected counterparties.
- Tier 2 capital which include revaluation reserves and subordinated debt.

The Society's policy is to maintain a strong capital base so as to maintain depositor confidence and sustain future developments of the business. The Society's regulatory position as at 31 December 2018 was as follows:

CAPITAL ADEQUACY	31 December 2018 $m	31 December 2017 $m
Tier 1 Capital		
Ordinary class "A" share capital	35.00	35.00
Retained earnings	127.33	109.99
Exposures to insiders and connected parties	(15.90)	(17.25)
Less Tier 1 allocated to market risk	-	(0.10)
Les Tier 1 allocated for operational risk	(15.87)	(14.14)
Total Tier 1 Capital	**130.56**	**113.50**
Total Tier 2 capital	**39.90**	**37.69**
Tier 3 Capital		
Allocation of capital for market risk	-	0.10
Allocation of capital for operational risk	15.87	14.14
Total Tier 3 capital	**15.87**	**14.24**
Total Regulatory capital	**186.33**	**165.43**
Total risk weighted assets	**1 040.08**	**947.48**
Capital adequacy ratio	**18%**	**17%**

28. External credit rating

The Society is assessed by the Global Credit Rating Company (GCR), a credit rating agency accredited by the Reserve Bank of Zimbabwe. Below are the ratings by the GCR for the Society for the past 3 years:

Rating class	Rating scale	Ratings	Rating outlook	Expiry date
Long-term	National	A+	Stable	August 2019
Long-term	National	A+	Stable	August 2018
Long-term	National	A+	Stable	August 2017

29 Subsequent events

On 20 February 2019, the RBZ Governor announced a new MPS whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars "RTGS $". RTGS dollars become part of the multi-currency system.
- RTGS Dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$ 2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI33) on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS Dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the USD and would become opening RTGS Dollar values from the effective date.

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The Directors, based on their interpretation of IFRS had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 (IAS 10) "Events after the reporting period" as it is was considered as reflective of underlying conditions as at the reporting date of 31 December 2018. In particular the promulgation of RTGS Dollar as currency, in the opinion of the Directors, was legal confirmation of market practice which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However given the accounting restrictions imposed by SI33, these post balance sheet events have not been adjusted for.

The impact on the 2018 balance sheet (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates is shown below:

31 December 2018	Total RTGS $ denominated monetary and non-monetary balances	Total US$ denominated monetary assets and liabilities	Total US$ denominated non-monetary assets and liabilities	Total translated at a rate of US$1: RTGS$1	Total RTGS $ translated at a rate of US$1: RTGS$2.5	Total RTGS $ translated at a rate of US$1: RTGS$4	Total RTGS $ translated at a rate of US$1 : RTGS$5
ASSETS							
Cash and cash equivalents	153.39	14.09	-	167.48	188.61	209.73	223.82
Investment securities	333.07	-	-	333.07	333.07	333.07	333.07
Other assets	91.89	1.13	-	93.02	94.71	96.41	97.54
Loans and advances	748.59	31.06	-	779.65	826.24	872.83	903.89
Non-current assets held for sale	1.04	-	-	1.04	1.04	1.04	1.04
Property and equipment	21.53	-	41.89	63.42	126.25	189.09	230.98
Investment property	-	-	23.49	23.49	58.73	93.97	117.46
Intangible assets	7.86	-	-	7.86	7.86	7.86	7.86
Total assets	**1 357.37**	**46.28**	**65.38**	**1 469.03**	**1 636.51**	**1 804.00**	**1 915.66**
LIABILITIES							
Deposits	1 157.61	9.62	-	1 167.23	1 181.67	1 196.11	1 205.73
Credit lines	-	53.3	-	53.30	133.24	213.19	266.49
Trade and other liabilities	44.08	1.76	-	45.84	48.47	51.11	52.86
Provisions	4.98	-	-	4.98	4.98	4.98	4.98
Deferred taxation	-	-	3.29	3.29	8.22	13.15	16.44
Total liabilities	**1 206.67**	**64.68**	**3.29**	**1 274.64**	**1 376.58**	**1 478.54**	**1 546.50**
SHAREHOLDER'S EQUITY							
Ordinary class "A" share capital	35.00	-	-	35.00	35.00	35.00	35.00
Retained earnings	127.33	-	-	127.33	127.33	127.33	127.33
Regulatory provision reserve	5.18	-	-	5.18	5.18	5.18	5.18
Non distributable reserve	1.45	-	-	1.45	1.45	1.45	1.45
Revaluation reserve	19.63	-	-	19.63	19.63	19.63	19.63
Share based payment reserve	5.79	-	-	5.79	5.79	5.79	5.79
Translation reserve	-	-	-	-	65.54	131.07	174.77
Total shareholders equity	**194.38**	**-**	**-**	**194.38**	**259.92**	**325.45**	**369.15**
Total shareholders equity and liabilities	**1 401.05**	**64.68**	**3.29**	**1 469.02**	**1 636.50**	**1 803.99**	**1 915.65**
	-	**(18.40)**	**62.09**	**-**	**-**	**-**	**-**

While properties valuations were denominated in United States dollars based on the reports issued by our valuers, rentals on the significant majority of the portfolio have been received via RTGS. The Group uses average income yields to value the leased properties.

30 Going concern

In view of the subsequent events that occurred on 20 February 2019, the Directors have assessed the ability of the Society to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.