STEWARD | BANK

Everyday Banking For Everyday People

Member of the Deposit Protection Corporation | A Registered Commercial Bank

UNAUDITED ABRIDGED FINANCIAL STATEMENTS
for the six months ended 31 August 2017

A subsidiary of ECONET Wireless

Superbrand Brand Of The Year

www.stewardbank.co.zw

HIGHLIGHTS

+93% REVENUE
Strong growth in transactional based revenue in line with strategic intent

US$4.3m 2016 | US$11.3m 2017
+162% PROFIT BEFORE TAX

+112% NON-FUNDED INCOME

US$4.8m 2017 2016
+34% NET INTEREST INCOME

83% LIQUIDITY RATIO
More than double when compared to the minimum regulatory ratio of 30%

Tier 1 Capital US$60.0m

COST TO INCOME RATIO 52%

Everyday Banking For Everyday People

CHAIRMAN'S STATEMENT

Introduction
I am happy to present to you our financial performance for the six months ended 31 August 2017, during which Steward Bank ("the Bank") registered its best performance to date over a similar comparative period, having delivered a profit before tax of $11.3 million in an extremely challenging economic environment. The Bank's performance reflects the significant progress we have made in delivering the shareholder's vision to offer mobile-centric transactional banking closely aligned to the Econet Group's mobile money operations. The Bank has remained steadfast and committed to its core strategy, providing affordable and easy to access financial services to every Zimbabwean. This approach, which we believe delivers real value to our customers, has resonated with a number of Zimbabweans who in turn have selected us as their bank of choice.

During this reporting period, we are honoured to have experienced significant brand acceptance and strong customer growth, with 175 000 new customers favouring us with their custom. Our primary customers, using any of our platforms on a frequent basis, increased to 55% of all active customers. The Bank also registered a ten-fold growth in the total number of electronic transactions completed on our platforms. In order to absorb this growth, our key focus has been on accelerating the pace of our digital transformation, improving operational efficiency, increasing system stability and improving customer experience for everyone who interacts with our products and services. Whilst temporary stabilisation measures were implemented to address some technical issues associated with our rapid growth, a significant investment has also been made to improve our Information and Communication Technology ("ICT") skills and infrastructure. A major upgrade of our core banking system was initiated to provide additional capacity and long term stabilization.

Challenging Market Dynamics
The economic conditions and operating environment in our market have been extremely volatile and are expected to remain relatively uncertain. Inflation, which was positive from the beginning of the financial year, gained momentum in the months up to June 2017 at 0.31% while July saw a decline on the rate of inflation to 0.14%. The industry's liquidity averaged above 65% driven by growth on the RTGS balances as well as maturities on Treasury Bills that are being rolled over, pushing back liquidity to the market. Availability of cash notes continued to be a challenge as Banks slowed down on the importation of notes into the country and withdrawal limits went down from an average of $300 per day at the beginning of the year to $20 per day per the closure of the period under review.

Interest rates remained fairly stable ranging between 3%-12%. The number of banks offering mortgages increased as banks diversify their interest earning assets. Despite these challenges, the Bank continues to explore inherent opportunities within the current operating environment to accelerate our growth strategy. We are extremely confident that our strategy to focus on transactional banking and a cautious lending approach is appropriate for the prevailing uncertain conditions

Sustainable Growth Strategy in a challenging Environment
Despite the challenging economic environment, the Bank registered sustainable growth driven by the steady increase in customer base and transactional revenue. The Bank's profit before tax for the half year increased by 162% from the comparable period last year to $11,3million. Overall performance was largely driven by a strong growth in non-interest income which grew by 112% from prior year due to a surge in transactional volumes, notably on Cards, POS and Mobile Banking transactions. Total revenue grew to $29,0 million up from $15,0 million, a 93% increase from comparable period last year. The Bank's profit after tax of $8.5 million led to a Return on Equity of 22%. Cost to Income Ratio improved to 52% from 64% in comparative period last year as the business continues to increase efficiencies in service delivery.

Customer Centric Innovation
One of the Bank's core principles is to put our clients at the centre of all our activities and act at all times in the best interests of our customers. The Bank's client-centered product innovation is intended to make life easier and improve the customer experience. To this end, the Bank launched the following products and services in the first half of the financial year:

- **Corporate Card** – A card-based solution for our corporate clients struggling to access cash for their day to day activities such as petty cash, travel expenses and out of pocket allowances.
- **Platinum Club** – We launched exclusive services and a branch for our High Value customer in recognition of their support and loyalty to the Steward Bank brand.
- **Bank on Wheels and Kiosk Banking** – To increase our footprint to our customers in outlying areas, the Bank launched a mobile branch and a number of kiosks across the country. Whilst our model has always been branch lite, we believe in taking banking to the people and increasing financial deepening through cost effective delivery channels.
- **Mortgages** – We recently received regulatory approval to offer mortgages to our customers. This will go a long way in assisting our customers to preserve value under fairly uncertain economic conditions.

Our constant focus remains on continuous improvement of our products and services, developing and delivering a world class service experience for the benefit of our customers.

Outlook
Whilst being realistic of the challenges that lie ahead, we intend to continue with our growth strategy, increasing our market share and the opportunities to offer new simplified products and services in the future. The strategy remains premised on providing low cost, easy to access financial services to every Zimbabwean. Our focus on digitization and self-service channels will result in improved capacity and efficiencies across all channels.

Our strategy has already delivered fundamental improvements to the business, the Bank now having a stronger capital base as a result of improved performance and being more resilient to headwinds. To sustain our growth, we intend to substantially improve our foundation and system capabilities. We remain focused on delivering our plan for new-age banking while being willing to adapt where necessary to the constant changes in our operating environment. We are equally mindful of the importance of managing growth, together with a strong cost and risk management culture in order to protect shareholder value.

Dividend
No dividend will be declared for the half year ended 31 August 2017.

Conclusion
I would like to thank our customers, the shareholder, Econet Wireless Zimbabwe Limited, my fellow board members, and the management team on the ground for following the Bank's value-driven, customer-focused approach to delivering on Steward Bank's ethos of "Everyday Banking for Everyday People." We continue to pursue our goal to be a leading financial service provider, delivering value to all our customers who have entrusted us with their business.

Bernard T. R Chidzero
Chairman

24 October 2017

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") is the main decision making body. The Board recognises the importance of good corporate governance and is committed to conducting the business of Steward Bank Limited ("the Bank") with integrity and in accordance with generally accepted corporate practices, in order to safeguard stakeholders' interests. The Board regularly reviews its structures and policies to ensure continued adherence to the governing instruments and international best practice.

The Board is committed to the creation and sustenance of shareholder value and is accountable to its shareholders as well as to all other stakeholders including the Bank's employees, customers, suppliers, regulatory authorities and the community from which it operates.

Board Diversity
The Board recognises the importance of diversity and inclusion in its decision making processes. It is made up of nine (9) non-executive directors, two (2) of whom are female. There are two (2) executive Directors. The Board members have an array of experience which includes investment, commercial and retail banking, accounting, corporate finance, information and communications technology, marketing, business administration, economics and executive management.

Main Board
The Main Board is responsible for the adoption of the Bank's strategic plans, monitoring of strategy implementation and operational performance management. The Board is also responsible for the determination of policies and processes to ensure effective risk management and internal control and director selection, orientation and evaluation. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

The Board comprises a majority of independent, non-executive Directors who, together with the Executive Directors have an appropriate balance of skills, experience and expertise.

As at 31 August 2017, the Main Board held two (2) Board meetings to assess risk, review performance and provide guidance to Management.

Board Committees
The Board Committees continue to play a crucial role in the Bank's governance framework, undertaking their work comprehensively and effectively supporting the Board in the discharge of its responsibilities. The Board has established and delegated specific roles and responsibilities to standing Committees, to assist it in discharging its mandate. All Board Committees are chaired by independent non-executive Chairpersons.
The following standing Committees have been established namely:
i. Board Audit Committee (also sits as the Related Party Transactions Committee);
ii. Board Risk, Compliance and Capital Management Committee;
iii. Board Assets and Liabilities Committee;
iv. Board Credit Committee;
v. Board Human Resources and Nominations Committee; and
vi. Board Information and Communication Technology Committee.

The Board also established the Performance Review Committee which meets quarterly to oversee and monitor the Bank's performance against the budget.

Members of the Management Executive Committee and other Management attend meetings of the various committees by invitation. Each Board Committee acts within written terms of reference approved by the Board and reviewed annually or as necessary. The Board Committees meet at least quarterly in accordance with their terms of reference.

Board attendance
As at 31 August 2017, the Bank's Board of directors had held two (2) meetings and the record of each Director is depicted below:

Main Board

Name of director	Designation	Total meetings held	Total present	Total absent
*B T R Chidzero	Non-Executive Chairman	2	2	Nil
T Mpofu	Non-Executive Director	2	2	Nil
K V Chirairo	Non-Executive Director	2	2	Nil
C Maswi	Non-Executive Director	2	2	Nil
J Mungoshi	Non-Executive Director	2	2	Nil
N N Chadehumbe	Non-Executive Director	2	2	Nil
K Akosah-Bempah	Non-Executive Director	2	2	Nil
L S Mambondiani	Executive Director	2	2	Nil
J H Gould	Non-Executive Director	2	2	Nil
P M Mbizvo	Non-Executive Director	2	2	Nil
A Chaavure	Executive Director	2	2	Nil

* Chairman

Board Audit Committee

Name of director	Designation	Total meetings held	Total present	Total absent
*K Akosah-Bempah	Non-Executive Chairman	3	3	Nil
C Maswi	Non-Executive Director	3	3	Nil
N N Chadehumbe	Non-Executive Director	3	3	Nil

* Chairman

Board Risk, Compliance and Capital Management Committee

Name of director	Designation	Total meetings held	Total present	Total absent
*N N Chadehumbe	Non-Executive Chairman	2	2	Nil
T Mpofu	Non-Executive Director	2	2	Nil
P M Mbizvo	Non-Executive Director	2	2	Nil

*Chairperson

Board Assets and Liabilities Committee

Name of director	Designation	Total meetings held	Total present	Total absent
*C Maswi	Non-Executive Chairman	2	2	Nil
K Akosah-Bempah	Non-Executive Director	2	2	Nil
T Mpofu	Non-Executive Director	2	2	Nil
P M Mbizvo	Non-Executive Director	2	2	Nil

* Chairman

Board Credit Committee

Name of director	Designation	Total meetings held	Total present	Total absent
*J Mungoshi	Non-Executive Chairman	2	2	Nil
K V Chirairo	Non-Executive Director	2	2	Nil
B T R Chidzero	Non-Executive Director	2	2	Nil
J H Gould	Non-Executive Director	2	2	Nil

* Chairman

Board Information and Communications Technology Committee

Name of director	Designation	Total meetings held	Total present	Total absent
*J Mungoshi	Non-Executive Chairman	2	2	Nil
J H Gould	Non-Executive Director	2	2	Nil
N N Chadehumbe	Non-Executive Director	2	2	Nil

* Chairman

Board Remuneration and Nominations Committee

Name of director	Designation	Total meetings held	Total present	Total absent
*P M Mbizvo	Non-Executive Chairman	2	2	Nil
J Mungoshi	Non-Executive Director	2	2	Nil
J H Gould	Non-Executive Director	2	2	Nil
B T R Chidzero	Non-Executive Director	2	2	Nil

* Chairman

Director Training and Development
The Bank has in place a comprehensive induction plan for new Directors. As part of continuing director development, four Directors attended training workshops facilitated by the Reserve Bank of Zimbabwe. Board members also attended the Risk Management and Business Continuity Training and a workshop on financial reporting, audit and governance organised by KPMG Zimbabwe. Additional Board training is scheduled for the second half of the financial year ending 28 February 2018.

Compliance
The Board is of the view that the Bank complied with the applicable laws and regulations throughout the reporting period.

The Bank's Liquidity Ratio stood at 83% as at 31 August 2017 against the minimum prescribed ratio of 30%.

Half Year Financial Statements
The Directors are responsible for the preparation and integrity of the financial statements and related financial information contained in the abridged financial statements for the period ended 31 August 2017. The financial statements are prepared in accordance with generally accepted local and international accounting practices and they incorporate full and responsible disclosure to ensure that the information contained therein is both relevant and reliable.

STEWARD | BANK

Everyday Banking For Everyday People

Member of the Deposit Protection Corporation | A Registered Commercial Bank

UNAUDITED ABRIDGED FINANCIAL STATEMENTS
for the six months ended 31 August 2017

A subsidiary of ECONET Wireless

Superbrand Brand Of The Year

www.stewardbank.co.zw

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 August 2017

	Notes	Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
Interest and related income	3	5,008,612	3,941,188
Interest and related expense	4	(162,982)	(323,434)
Net interest income		4,845,630	3,617,754
Non-interest income	5	24,161,221	11,378,797
Impairment charge on loans and advances	6	(2,647,946)	(1,009,143)
Net operating income		**26,358,905**	**13,987,408**
Operating expenditure	7	(15,032,556)	(9,658,999)
Profit before tax		**11,326,349**	**4,328,409**
Income tax expense	8	(2,798,252)	(1,761,020)
Profit for the period		**8,528,097**	**2,567,389**
Other comprehensive income		-	-
Total comprehensive income for the period		**8,528,097**	**2,567,389**

STATEMENT OF FINANCIAL POSITION
As at 31 August 2017

	Notes	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
ASSETS			
Cash and cash equivalents	9	68,204,639	63,954,579
Financial assets at fair value through profit or loss	10	605,763	173,607
Loans and advances to customers	11	52,767,122	53,581,080
Financial assets held-to-maturity	12	98,474,992	54,505,121
Other receivables	13	9,798,476	27,355,423
Investment property	14	5,437,400	5,437,400
Property and equipment	15	7,132,300	6,346,943
Intangible assets	16	6,135,213	6,064,152
Deferred tax asset	24	5,841,883	8,640,135
Total assets		**254,397,788**	**226,058,440**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	4,077	4,077
Share premium	17	106,317,629	106,317,629
Other reserves	18	3,163,387	3,899,036
Accumulated loss		(25,910,412)	(35,174,158)
Total equity		**83,574,681**	**75,046,584**
LIABILITIES			
Deposits due to banks and customers	19	165,655,459	144,632,181
Loans and borrowings	20	1,277,000	280,000
Provisions	22	653,173	256,983
Other liabilities	23	3,237,475	5,842,692
Total liabilities		**170,823,107**	**151,011,856**
Total equity and liabilities		**254,397,788**	**226,058,440**

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 August 2017

	Share capital US$	Share premium US$	Other reserves US$	Accumulated loss US$	Total US$
Balance at 1 March 2017	**4,077**	**106,317,629**	**3,899,036**	**(35,174,158)**	**75,046,584**
Total comprehensive income	-	-	-	8,528,097	**8,528,097**
Profit for the period	-	-	-	8,528,097	**8,528,097**
Other comprehensive income	-	-	-	-	-
Impairment allowance for loans and advances	-	-	(735,649)	735,649	-
Balance as at 31 August 2017	**4,077**	**106,317,629**	**3,163,387**	**(25,910,412)**	**83,574,681**
Balance at 1 March 2016	**4,077**	**106,317,629**	**4,949,664**	**(42,379,882)**	**68,891,488**
Total comprehensive income	-	-	-	2,567,389	2,567,389
Profit for the period	-	-	-	2,567,389	**2,567,389**
Other comprehensive income	-	-	-	-	-
Impairment allowance for loans and advances	-	-	(408,770)	408,770	-
Balance at 31 August 2016	**4,077**	**106,317,629**	**4,540,894**	**(39,403,723)**	**71,458,877**

STATEMENT OF CASH FLOWS
For the half-year ended 31 August 2017

	Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,326,349	4,328,409
Adjustments for:		
Change in operating assets	(28,246,911)	4,027,062
Change in operating liabilities	18,814,250	15,065,069
Other non-cash items	3,264,136	1,958,137
Net cash generated from operations	**5,157,824**	**25,378,677**
Taxation paid	-	-
Net cash inflow from operating activities	**5,157,824**	**25,378,677**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,619,144)	(1,463,563)
Purchase of intangible assets	(285,620)	(522,703)
Net cash outflow from investing activities	**(1,904,764)**	**(1,986,266)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(repayment) of loans and borrowings	997,000	(2,099,623)
Net cash inflow/(outflow) from financing activities	**997,000**	**(2,099,623)**
Net increase in cash and cash equivalents	4,250,060	21,292,788
Cash and cash equivalents at the beginning of the period	63,954,579	24,553,452
Cash and cash equivalents at the end of the period	**68,204,639**	**45,846,240**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
For the half-year ended 31 August 2017

1 GENERAL INFORMATION

Steward Bank Limited ("the Bank") was incorporated according to the laws of Zimbabwe on 9 October 1970 and was registered as a commercial bank in March 2008. Its registered office and principal place of business is 101 Union Avenue Building, 101 Kwame Nkrumah Avenue, Harare. The Bank's ultimate holding company is Econet Wireless Zimbabwe Limited.

The principal business of the Bank is to provide retail and corporate banking services in the key economic centres of Zimbabwe.

Currency of Account

These abridged financial statements are presented in United States dollars ("US$") being the functional and reporting currency of the primary economic environment in which the Bank operates.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Bank's unaudited financial statements are prepared in accordance with International Accounting Standards 34, ("IAS 34") "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and Interpretations as issued by the IFRS Interpretations Committee and under the supervision of A. Chaavure (Associate Member of the Chartered Institute of Management Accountants), Chief Finance Officer of Steward Bank Limited.

The financial statements comply with the disclosure requirements of the Companies Act (Chapter 24:03), the relevant statutory instruments ("SI") SI 62/96 and SI 33/99 and the Banking Act (Chapter 24:20).

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate.

2.2 Significant Accounting Judgements, Estimates and Assumptions

In applying the accounting policies, management made certain judgements, estimates and assumptions, which have a significant impact on the amounts recognised in the financial statements. These are consistent with those applied in the annual financial statements for the year ended 28 February 2017.

		Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
3	**INTEREST AND RELATED INCOME**		
	Loans and advances to customers	2,527,296	2,469,038
	Financial assets held-to-maturity	2,481,316	1,472,150
		5,008,612	**3,941,188**
4	**INTEREST AND RELATED EXPENSE**		
	Current accounts	4,701	13,064
	Savings and term deposits	158,281	310,370
		162,982	**323,434**

		Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
5	**NON-INTEREST INCOME**		
5.1	**Fees and commission income**		
	Net dealing gains	700,135	567,678
	Net commissions	22,097,876	9,838,850
		22,798,011	10,406,528
5.2	**Other**		
	Fair value adjustment on financial instruments	432,156	(34,225)
	Sundry income	206,256	179,882
	Bad debts recovered	724,798	826,612
		1,363,210	972,269
	Total non-interest income	**24,161,221**	**11,378,797**
6	**IMPAIRMENT CHARGE ON LOANS AND ADVANCES**		
	Allowance for credit losses charge	2,647,946	1,009,143
		2,647,946	**1,009,143**

7 OPERATING EXPENDITURE

	Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
Administration expenses	7,175,224	3,613,267
Amortisation of intangible assets	214,559	174,767
Audit fees	60,416	110,933
Depreciation of property and equipment	833,787	489,938
Impairment of property and equipment	-	250,064
Directors' remuneration	74,816	66,715
- fees for services as directors	74,816	66,715
Occupancy expenses	729,681	626,793
Professional expenses	1,416,359	668,117
Staff costs	4,527,714	3,658,405
- Short term benefits	4,312,435	3,574,191
- post - employment benefits	215,279	84,214
	15,032,556	**9,658,999**

8 INCOME TAX EXPENSE

		Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
8.1	The components of income tax expense are as follows:		
	Deferred tax expense	(2,798,252)	(1,761,020)
	Total income tax expense	**(2,798,252)**	**(1,761,020)**

8.2 Income tax reconciliation

	Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
Accounting profit before income tax	11,326,349	4,328,409
Taxation at normal rate of 25.75%	2,916,535	1,114,565
Origination and reversal of temporary differences:	(118,283)	646,455
	2,798,252	**1,761,020**

9 CASH AND CASH EQUIVALENTS

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Balances with the Reserve Bank of Zimbabwe and other banks	67,205,566	59,899,580
Cash balances	999,073	4,054,999
	68,204,639	**63,954,579**

UNAUDITED ABRIDGED FINANCIAL STATEMENTS
for the six months ended 31 August 2017

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (continued)
For the half-year ended 31 August 2017

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Listed equities:		
Opening balance	173,607	279,755
Net fair value profit/(loss)	432,156	(106,148)
Closing balance	**605,763**	**173,607**

11 LOANS AND ADVANCES TO CUSTOMERS

11.1 Total loans and advances

Corporate loans	34,124,873	35,348,819
Small-to-medium enterprise loans	1,485,460	1,183,149
Consumer loans	24,799,859	21,545,488
	60,410,192	58,077,456
Less: Allowance for impairment	(4,980,360)	(3,141,054)
Less: Suspended interest	(2,662,710)	(1,355,322)
	52,767,122	**53,581,080**

11.2 Maturity analysis

Less than one month	9,467,366	12,380,081
1 to 3 months	1,295,420	1,437,734
3 to 6 months	852,030	914,256
6 months to 1 year	2,046,911	1,754,562
1 to 5 years	40,788,969	39,918,179
Over 5 years	5,959,496	1,672,644
Gross loans	**60,410,192**	**58,077,456**

11.3 Sectorial analysis of utilisations

	Unaudited 31 August 2017		Audited 28 February 2017	
	US$	%	US$	%
Mining	11,381	0.0%	10,907	0.0%
Manufacturing	18,957,793	31.4%	23,109,867	39.8%
Agriculture	1,467,644	2.5%	1,317,531	2.3%
Distribution	2,367,633	3.9%	1,299,045	2.2%
Services	12,649,578	20.9%	13,252,482	22.8%
Individuals	24,956,163	41.3%	19,087,624	32.9%
	60,410,192	**100%**	**58,077,456**	**100%**

There is a material concentration of loans and advances in the Individuals and Manufacturing categories, constituting 41.3% (28 February 2017: 32.9%) and 31.4% (28 February 2017: 39.8%) respectively of gross loans and advances.

11.4 Allowance for impairment on loans and advances

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Opening balance	3,141,054	2,285,276
Charge for the period	2,647,946	5,003,385
Write-off of loans and advances	(727,895)	(4,147,607)
Utilisation of provisions relating to furniture loans	(80,745)	-
Closing balance	**4,980,360**	**3,141,054**

12 FINANCIAL ASSETS HELD-TO-MATURITY

Opening Balance	54,505,121	45,834,053
Additions	81,975,166	45,721,496
Repayments received on maturity	(40,163,382)	(38,456,665)
Accrued interest	2,158,087	1,406,237
Closing balance	**98,474,992**	**54,505,121**

13 OTHER RECEIVABLES

Sundry receivables	8,660,715	23,984,959
Amounts due from related parties	1,137,761	3,370,464
	9,798,476	**27,355,423**

14 INVESTMENT PROPERTY

Opening balance	5,437,400	4,647,906
Fair value adjustments	-	789,494
Closing balance	**5,437,400**	**5,437,400**

Investment property comprises of commercial buildings and undeveloped residential land.

Reconciliation of fair value:

	Unaudited 31 August 2017	
	Office properties US$	Residential stands US$
Opening Balance	**800,000**	**4,637,400**
Remeasurement recognised in profit or loss	-	-
Closing Balance	**800,000**	**4,637,400**

14 INVESTMENT PROPERTY (CONTINUED)

Reconciliation of fair value: (continued)

	Audited 28 February 2017	
	Office properties US$	Residential stands US$
Opening Balance	**860,000**	**3,787,906**
Remeasurement recognised in profit or loss	(60,000)	849,494
Closing Balance	**800,000**	**4,637,400**

Description of valuation techniques used and key inputs to valuation on investment property:

	Valuation technique	Significant observable inputs	Range (weighted average)
Office properties	Income approach (Refer below)	Comparable rentals per month, per sqm	\$5 - \$9
Residential stands	Residual method (Refer below)	Net land for disposal	321,011 sq.m

Income approach
In arriving at the market value for office property, the implicit investment approach was applied based on the capitalisation of income. This method is based on the principle that rentals and capital values are inter- related. Hence given the income produced by a property, its capital value can therefore be estimated. Comparable rentals inferred from properties within the locality of the property based on use, location, size and quality of finishes were used. The rentals were then adjusted per square metre to the lettable areas, being rentals achieved for comparable properties as at 28 February 2017. The rentals are then annualised and a capitalisation factor was applied to arrive at a market value of the property, also inferring on comparable premises which are in the same category as regards the building elements.

Residual approach
"In assessing the market value of the residential stands, the Residual Method was applied. This method of valuation is used to estimate the amount that is worth paying for land, or buildings, that is to be developed or redeveloped. The application of the residual method of valuation is based on the principle that the price to be paid for a property that is suitable for development is equal to the difference between (i) the completed value of the highest and best form of permitted development and (ii) the total cost of carrying out that development.

A change in the significant observable inputs will result in a corresponding direct impact of the fair values of investment property.

The Directors are of the opinion that the fair values of the investment property determined by an independent valuer at 28 February 2017 do not differ significantly from the fair values of the property at 31 August 2017. The fair values determined at 28 February 2017 have therefore been adopted as at 31 August 2017.

15 PROPERTY AND EQUIPMENT

	Land and Buildings US$	Leasehold Improvements US$	Furniture and Fittings US$	Office Equipment US$	Computer Equipment US$	Motor Vehicles US$	Work in Progress US$	Total US$
At Cost or Valuation:								
29 February 2016	**1,238,814**	**1,876,603**	**2,998,282**	**1,775,420**	**4,184,612**	**452,612**	**196,372**	**12,722,715**
Additions	145,366	98,997	219,305	190,321	2,011,631	137,748	-	2,803,368
Transfers from intangible assets	-	-	-	-	-	-	311,485	311,485
Revaluation	(184,180)	-	-	-	-	-	-	(184,180)
28 February 2017	**1,200,000**	**1,975,600**	**3,217,587**	**1,965,741**	**6,196,243**	**590,360**	**507,857**	**15,653,388**
Additions	-	214,993	179,255	168,236	886,946	-	169,714	1,619,144
31 August 2017	**1,200,000**	**2,190,593**	**3,396,842**	**2,133,977**	**7,083,189**	**590,360**	**677,571**	**17,272,532**
Accumulated depreciation and impairment:								
29 February 2016	**1,814**	**563,501**	**2,458,726**	**1,487,029**	**2,925,055**	**419,769**	**-**	**7,855,894**
Depreciation charge for the year	29,696	340,976	85,865	107,248	640,483	27,729	-	1,231,997
Eliminated on revaluation	(31,510)	-	-	-	-	-	-	(31,510)
Impairment	-	-	-	-	250,064	-	-	250,064
28 February 2017	**-**	**904,477**	**2,544,591**	**1,594,277**	**3,815,602**	**447,498**	**-**	**9,306,445**
Depreciation charge for the period	14,848	196,752	68,511	65,681	476,139	11,856	-	833,787
31 August 2017	**14,848**	**1,101,229**	**2,613,102**	**1,659,958**	**4,291,741**	**459,354**	**-**	**10,140,232**
Net carrying amount:								
31 August 2017	**1,185,152**	**1,089,364**	**783,740**	**474,019**	**2,791,448**	**131,006**	**677,571**	**7,132,300**
28 February 2017	**1,200,000**	**1,071,123**	**672,996**	**371,464**	**2,380,641**	**142,862**	**507,857**	**6,346,943**

Property and equipment was assessed by the Bank's Directors and it was determined that the book value of assets at 31 August 2017 approximate the assets' fair values.

16 INTANGIBLE ASSETS

	Computer software US$	Current work in progress US$	Total US$
Cost:			
29 February 2016	**8,304,317**	**1,417,142**	**9,721,459**
Additions	404,774	106,512	511,286
Transfer to property and equipment	-	(311,485)	(311,485)
28 February 2017	**8,709,091**	**1,212,169**	**9,921,260**
Additions	285,620	-	285,620
31 August 2017	**8,994,711**	**1,212,169**	**10,206,880**
Accumulated amortisation and impairment:			
29 February 2016	**3,483,102**	16,010	**3,499,112**
Amortisation charge for the year	357,996	-	357,996
28 February 2017	**3,841,098**	**16,010**	**3,857,108**
Amortisation charge for the period	214,559	-	214,559
31 August 2017	**4,055,657**	**16,010**	**4,071,667**
Net carrying amount:			
At 31 August 2017	**4,939,054**	**1,196,159**	**6,135,213**
At 28 February 2017	**4,867,993**	**1,196,159**	**6,064,152**

Intangible assets pertain to computer software. The Bank uses the expected usage of the asset to determine the useful life of intangible assets.

17 SHARE CAPITAL

Movements in share capital and share premium:

	No. of ordinary shares	No. of preference shares	Share Capital US$	Share premium US$
29 February 2016	471,707,887	4,030	4,077	106,317,629
29 February 2017	471,707,887	4,030	4,077	106,317,629
31 August 2017	**471,707,887**	**4,030**	**4,077**	**106,317,629**

18 OTHER RESERVES

	Regulatory reserve US$	Total US$
29 February 2016	**4,949,664**	**4,949,664**
Impairment allowance for loans and advances	(1,050,628)	**(1,050,628)**
28 February 2017	**3,899,036**	**3,899,036**
Impairment allowance for loans and advances	(735,649)	**(735,649)**
31 August 2017	**3,163,387**	**3,163,387**

Regulatory reserve
This reserve caters for excess credit loss provisions that result from calculation of impairments on loans and receivables according to the expected loss model as required per Reserve Bank of Zimbabwe regulations.

19 DEPOSITS DUE TO BANKS AND CUSTOMERS

		Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
19.1	Current accounts	161,004,436	139,652,729
	Term deposits	4,651,023	4,979,452
		165,655,459	**144,632,181**

At 31 August 2017, approximately \$110.1 million or 66.5% of the Bank's deposits due to customers (At 28 February 2017: \$66.4 million or 46.4%) represents balances owed to a related party entity in the telecommunications sector.

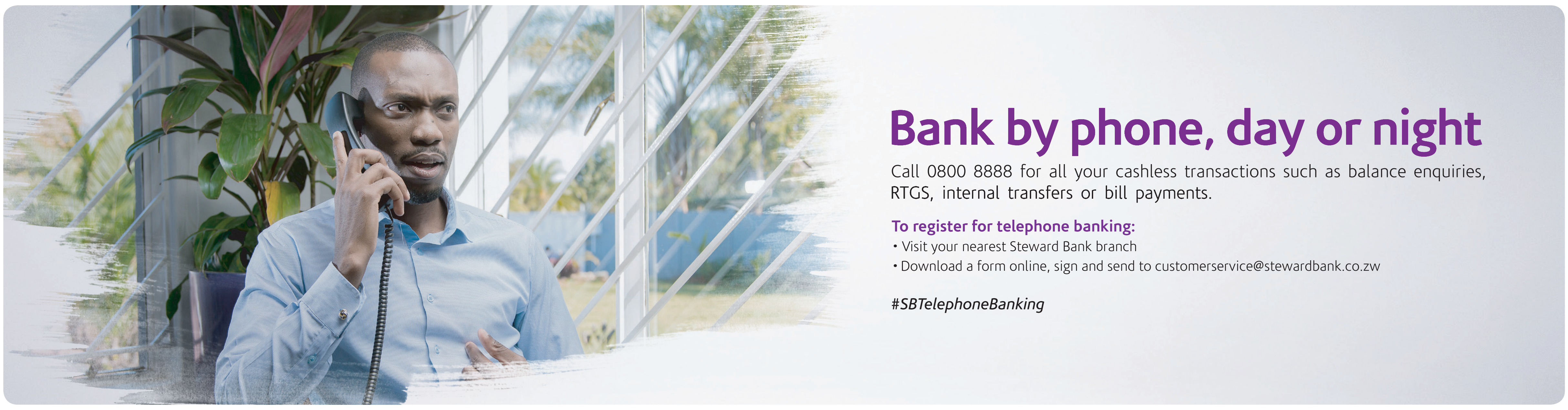
A concentration of risk therefore exists in the event that the business of the counterparty is adversely affected by changes in economic or other conditions. However, at 31 August 2017 the Bank's management was not aware of any economic or other conditions that may adversely affect the business of the counterparty.

		Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
19.2	**Maturity analysis of deposits**		
	Less than one month	164,578,699	144,515,968
	1 to 3 months	1,076,760	116,213
		165,655,459	**144,632,181**

19.3 Sectorial analysis of deposits

	Unaudited 31 August 2017		Audited 28 February 2017	
	US$	%	US$	%
Financial	4,607,134	2.8%	21,183,141	14.6%
Transport and telecommunications	110,102,255	66.5%	68,040,300	47.0%
Mining	217,736	0.1%	15,021	0.0%
Manufacturing	6,408,890	3.9%	2,006,779	1.4%
Agriculture	842,527	0.5%	435,719	0.3%
Distribution	2,287,580	1.4%	1,848,837	1.3%
Services	18,614,773	11.2%	15,366,565	10.6%
Government and parastatals	3,209,874	1.9%	898,447	0.6%
Individuals	17,981,068	10.9%	26,846,930	18.6%
Other	1,383,622	0.8%	7,990,442	5.5%
	165,655,459	**100%**	**144,632,181**	**100%**

Directors: B.T.R. Chidzero (Chairman), T. Mpofu (Mrs.), J.H. Gould, K.V. Chirairo, K. Akosah-Bempah, N.N. Chadehumbe (Dr.), C. Maswi, P.M. Mbizvo (Dr.), J. Mungoshi, L.S. Mambondiani (Dr.)*, A. Chaavure*. * Executive. Registered Office: 101 Union Avenue Building, 101 Kwame Nkrumah Avenue, Harare.



NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (continued)
For the half-year ended 31 August 2017

20 LOANS AND BORROWINGS

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Lines of credit	1,277,000	280,000
	1,277,000	280,000

Maturity profile of loans and borrowings

1 to 6 months	157,000	-
6 months to 1 year	1,120,000	280,000
1 to 5 years	-	-
	1,277,000	**280,000**

21 FAIR VALUES MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 August 2017:

			Fair value measurement using:		
Assets measured at fair value:	Date of Valuation	Total US$	Quoted prices in active markets (Level 1) US$	Significant observable inputs (Level 2) US$	Significant unobservable inputs (Level 3) US$
Investment property (Note 14)					
Residential stands	31 August 2017	**4,637,400**	-	4,637,400	-
Office buildings	31 August 2017	**800,000**	-	800,000	-
Total Investment property		**5,437,400**	-	**5,437,400**	-
Quoted equity shares (Note 10)					
Telecommunications sector	31 August 2017	**605,763**	605,763	-	-

There were no transfers between Level 1 and Level 2 during the year.

Fair value hierarchy
The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

21.1 FAIR VALUES OF FINANCIAL INSTRUMENTS

	Unaudited 31 August 2017		Audited 28 February 2017	
	Carrying amount US$	Fair value US$	Carrying amount US$	Fair value US$
Financial assets				
Cash and cash equivalents	68,204,639	68,204,639	63,954,579	63,954,579
Financial assets at fair value through profit or loss	605,763	605,763	173,607	173,607
Loans and advances to customers	52,767,122	52,767,122	53,581,080	53,581,080
Financial assets held-to-maturity	98,474,992	98,474,992	54,505,121	54,505,121
Other receivables	9,798,476	9,798,476	27,355,423	27,355,423
	229,850,992	**229,850,992**	**199,569,810**	**199,569,810**
Financial liabilities				
Deposits due to banks and customers	165,655,459	165,655,459	144,632,181	144,632,181
Loans and borrowings	1,277,000	1,277,000	280,000	280,000
Other liabilities	3,237,475	3,237,475	5,842,692	5,842,692
	170,169,934	**170,169,934**	**150,754,872**	**150,754,872**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amount of financial assets and liabilities approximate their fair values. The following methods and assumptions were used to estimate the fair values:

-Cash and cash equivalents, loans and advances, deposits and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 August 2017, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities and obligations under finance leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair value of financial assets at fair value through profit or loss are derived from quoted market prices in active markets.

22 PROVISIONS

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Provisions	**653,173**	**256,983**

Provisions comprises of the following:

	Leave Pay Provision US$	Provision for restoration costs US$	Other provisions US$	Total US$
Balance at 28 February 2017	195,822	41,857	19,304	**256,983**
Current provision	205,003	-	303,890	**508,893**
Amount utilised	(93,100)	(300)	(19,303)	**(112,703)**
Balance at 31 August 2017	**307,725**	**41,557**	**303,891**	**653,173**

23 OTHER LIABILITIES

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Sundry creditors and accruals	**3,237,475**	**5,842,692**

24 DEFERRED TAX ASSET

	Accelerated wear and tear US$	Fair value adjustments US$	Assessed losses US$	Other US$	Total US$
At 28 February 2017	**(534,294)**	**(666,418)**	**8,668,155**	**1,172,692**	**8,640,135**
Charge/(credit) to profit for the year	410,870	(4,321)	(3,391,796)	186,995	**(2,798,252)**
At 31 August 2017	**(123,424)**	**(670,739)**	**5,276,359**	**1,359,687**	**5,841,883**

The Bank has tax losses amounting to $20.4 million, which resulted from accounting losses that are available for offsetting against the future taxable profits of the Bank for the next 3-6 years.

The Bank also has provisions for impairment of loans and advances amounting to $4,98 million as at 31 August 2017. The Bank has therefore also recognised a deferred tax asset in light of the provisions for impairment of loans and advances since it is anticipated that the loans and advances relating to the provisions will either be recovered from the customers in the ordinary course of business or written off to bad debts, which are deductible for income tax purposes and would also result in a reversal of the provisions.

25 RELATED PARTY DISCLOSURES

	Unaudited 31 August 2017 US$	Unaudited 31 August 2016 US$
25.1 Compensation of key management personnel of the Bank:		
Short-term benefits	744,924	714,720
Post-employment benefits	164,168	1,789
	909,092	**716,509**

26 RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, strategic risk, reputational risk and market risk. It is also subject to country risk and various operating risks.

Risk management structure
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies, policies and principles. The Board has established the Risk, Compliance and Capital Management Committee, the Assets and Liabilities Committee (ALCO) and other governance committees which have the responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Bank also has fully embeded the Bankwide Risk Management Framework with all significant risk types allocated to the risk control owners.

Risk measurement and reporting systems
Information compiled from the business is examined and processed in order to analyse, control and identify risks on a timely basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information in order for them to exercise their oversight role.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

26.1 Credit Risk
Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

26.1.1 Impairment assessments
For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Bank grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.

Individually assessed allowances:
The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interest, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances:
Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant (including residential mortgages, government debt and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Bank generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

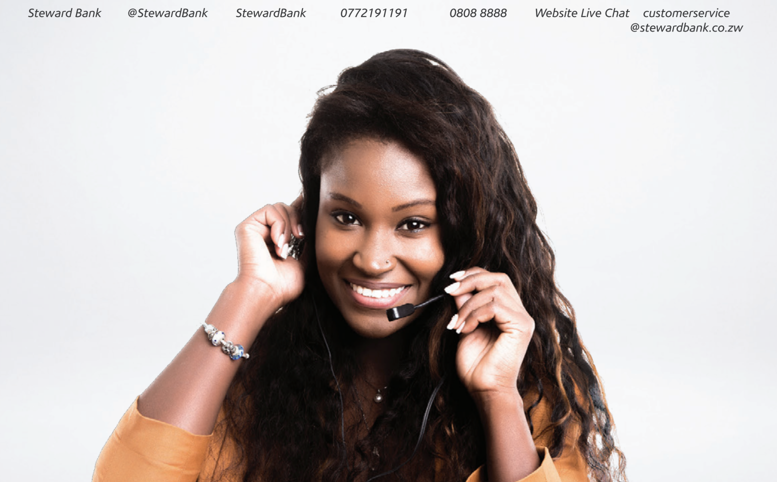
The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Financial guarantees and letters of credit are assessed in a similar manner as for loans.

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

26.1.2 Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.



NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (continued)
For the half-year ended 31 August 2017

26 RISK MANAGEMENT (CONTINUED)

26.1 Credit Risk (continued)

26.1.3 Credit quality per industrial sector

The Bank manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by industrial sector for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

The following tables analyse credit risk exposure to loans and advances in detail:

	Neither past due nor impaired					
	Grade A high grade US$	Grade B standard grade US$	Grade C sub-standard US$	Past due but not impaired US$	Individually impaired US$	Total US$
At 31 August 2017:						
Individuals	13,695,289	1,218,674	6,316,473	780,780	2,944,947	**24,956,163**
Mining	6,192	-	4,686	459	44	**11,381**
Manufacturing	3,332,928	-	569,864	14,643,023	411,978	**18,957,793**
Agriculture	-	-	80,834	104,453	1,282,357	**1,467,644**
Distribution	22,538	-	218,042	324,824	1,802,229	**2,367,633**
Services	1,968,641	2,267,663	4,442,504	2,480,197	1,490,573	**12,649,578**
	19,025,588	**3,486,337**	**11,632,403**	**18,333,736**	**7,932,128**	**60,410,192**
At 28 February 2017:						
Individuals	9,437,281	-	3,566,929	3,048,678	3,034,735	**19,087,623**
Mining	5,841	-	4,613	433	22	**10,909**
Manufacturing	76,096	-	11,975,570	9,213,468	1,844,733	**23,109,867**
Agriculture	-	-	228,913	183,245	905,373	**1,317,531**
Distribution	12,645	-	104,366	206,041	975,993	**1,299,045**
Services	4,756,219	700,000	2,573,228	4,899,166	323,868	**13,252,481**
	14,288,082	**700,000**	**18,453,619**	**17,551,032**	**7,084,723**	**58,077,456**

The Bank's concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 August 2017 was $16.0 million (28 February 2017: $25.7 million).

26.1.4 Commitments and guarantee

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Financial guarantees	10,561,130	10,000,000
Commitments to lend	3,372,766	46,800
	13,933,896	**10,046,800**

26.2 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank places emphasis on lines of credit that it can access to meet liquidity needs. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. The key ratios during the year were, as follows:

	2017			2017		
	At 31 August	Maximum during period	Minimum during period	At 28 February	Maximum during period	Minimum during period
Loans to deposits ratio	31%	32%%	23%	37%	67%	37%

The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the loans to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year. Loans to customers that are part of reverse repurchase arrangements, and where the Bank receives securities which are deemed to be liquid, are excluded from the advances to deposits ratio.

	2017			2017		
	At 31 August	Maximum during period	Minimum during period	At 28 February	Maximum during period	Minimum during period
Net liquid assets to customer liabilities ratio	83%	85%	61%	81%	83%	71%

The Bank defines liquid assets for the purposes of the liquidity ratio as cash balances, short–term interbank deposits and highly-rated debt securities available for immediate sale and for which a liquid market exists.

26.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	On demand US$	Less than 3 months US$	3 months to 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
At 31 August 2017:						
Financial assets:						
Cash and cash equivalents	68,204,639	-	-	-	-	**68,204,639**
Financial assets at fair value through profit or loss	605,763	-	-	-	-	**605,763**
Loans and advances to customers	9,467,366	1,295,420	2,898,941	40,788,969	5,959,496	**60,410,192**
Financial assets held-to-maturity	29,798,476	37,649,079	10,076.839	20,953,817	-	**98,474,992**
Other receivables	9,798,476	-	-	-	-	**9,798,476**
Total undiscounted financial assets	**117,871,501**	**38,944,499**	**12,975,780**	**61,742,786**	**5,959,496**	**237,494,062**
Financial liabilities:						
Deposits due to banks and customers	164,578,699	1,076,760	-	-	-	**165,655,459**
Loans and borrowings	-	157,000	1,120,000	-	-	**1,277,000**
Total undiscounted financial liabilities	**164,578,699**	**1,233,760**	**1,120,000**	**-**	**-**	**166,932,459**
Net undiscounted financial assets/(liabilities)	**(46,707,198)**	**37,710,739**	**11,855,780**	**61,742,786**	**5,959,496**	**70,561,603**
At 28 February 2017:						
Financial assets:						
Cash and cash equivalents	63,954,579	-	-	-	-	**63,954,579**
Financial assets at fair value through profit or loss	173,607	-	-	-	-	**173,607**
Loans and advances to customers	12,380,081	1,437,734	2,668,818	39,918,179	1,672,644	**58,077,456**
Financial assets held-to-maturity	8,266,676	25,540,678	17,057,215	3,640,462	-	**54,505,121**
Other receivables	27,355,423		-	-		**27,355,423**
Total undiscounted financial assets	**112,130,366**	**26,978,412**	**19,726,033**	**43,558,641**	**1,672,644**	**203,985,441**
Financial liabilities:						
Deposits due to banks and customers	144,515,968	116,213	-	-	-	**144,632,181**
Loans and borrowings	-	-	280,000	-	-	**280,000**
Total undiscounted financial liabilities	**144,515,968**	**116,213**	**280,000**	**-**	**-**	**144,912,181**
Net undiscounted financial assets/(liabilities)	**(32,385,602)**	**26,862,199**	**19,446,033**	**43,558,641**	**1,672,644**	**59,073,260**

26.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

26.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non–trading interest rate gaps for stipulated periods. The Bank's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Interest rate repricing and gap analysis

The table below analyses the Bank's interest rate risk exposure on assets and liabilities. The financial assets and liabilities are categorised by the earlier of contractual repricing or maturity dates.

Interest rate repricing and gap analysis

	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Non-interest bearing US$	Total US$
TOTAL POSITION						
At 31 August 2017						
Assets:						
Cash and cash equivalents	-	-	-	-	68,204,639	**68,204,639**
Financial assets at fair value through rofit or loss	-	-	-	-	605,763	**605,763**
Loans and advances to customers	16,789,512	1,295,422	2,898,941	25,823,752	5,959,495	**52,767,122**
Financial assets held to maturity	29,795,257	37,649,079	10,076,839	20,953,817	-	**98,474,992**
Other receivables	-	-	-	-	9,798,476	**9,798,476**
Property and equipment	-	-	-	-	7,132,300	**7,132,300**
Investment property	-	-	-	-	5,437,400	**5,437,400**
Intangible assets	-	-	-	-	6,135,213	**6,135,213**
Deferred tax asset	-	-	-	-	5,841,883	**5,841,883**
	46,584,769	**38,944,501**	**12,975,780**	**46,777,569**	**109,115,169**	**254,397,788**
Liabilities and equity:						
Deposits due to banks and customers	164,578,699	1,076,760	-	-	-	**165,655,459**
Loans and borrowings	-	157,000	1,120,000	-	-	**1,277,000**
Provisions	-	-	-	-	653,173	**653,173**
Other liabilities	-	-	-	-	3,237,475	**3,237,475**
Equity	-	-	-	-	83,574,681	**83,574,681**
	164,578,699	**1,233,760**	**1,120,000**	**-**	**87,465,329**	**254,397,788**
Interest rate repricing gap	(117,993,930)	37,710,741	11,855,780	46,777,569	21,649,840	-
Cumulative gap	(117,993,930)	(80,283,189)	(68,427,409)	(21,649,840)	-	-
At 28 February 2017						
Assets:						
Cash and cash equivalents	-	-	-	-	63,954,579	**63,954,579**
Financial assets at fair value through profit or loss	-	-	-	-	173,607	**173,607**
Loans and advances to customers	10,944,015	1,437,734	2,668,818	36,857,869	1,672,644	**53,581,080**
Financial assets held to maturity	8,266,676	25,540,768	17,057,215	3,640,462	-	**54,505,121**
Other receivables	-	-	-	-	27,355,423	**27,355,423**
Investment property	-	-	-	-	5,437,400	**5,437,400**
Property and equipment	-	-	-	-	6,346,943	**6,346,943**
Intangible assets	-	-	-	-	6,064,152	**6,064,152**
Deferred tax asset	-	-	-	-	8,640,135	**8,640,135**
	19,210,691	**26,978,502**	**19,726,033**	**40,498,331**	**119,644,883**	**226,058,440**
Liabilities and equity:						
Deposits due to banks and customers	144,515,968	116,213	-	-	-	**144,632,181**
Loans and borrowings	-	-	280,000	-	-	**280,000**
Provisions	-	-	-	-	256,983	**256,983**
Other liabilities	-	-	-	-	5,842,692	**5,842,692**
Equity	-	-	-	-	75,046,584	**75,046,584**
	144,515,968	116,213	280,000	-	81,146,259	**226,058,440**
Interest rate repricing gap	(125,305,277)	26,862,289	19,446,033	40,498,331	38,498,624	-
Cumulative gap	(125,305,277)	(98,442,988)	(78,996,955)	(38,498,624)	-	-

26.3.2 Foreign currency exchange rate risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. In view of the Bank's minimal exposures to other currencies in the financial periods presented, the impact of currency fluctuations with the United States Dollar are not anticipated to have a significant impact on the Bank's profit or loss and capital.

26.4 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

26.5 Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, law, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the institution to fines and payment of damages. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. The Internal Audit and the Risk Department ensure that the Bank fully complies with all relevant laws and regulations.

26.6 Reputational Risk

Reputational risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the institution's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss, or a decline in its customer base. The Bank has a Business Development department whose mandate is to manage this risk.

26.7 Reserve Bank Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection of the Bank in November 2014 and the final ratings that were determined on the Bank are detailed below:

26.7.1 CAMELS* Ratings

CAMELS Component	**RBS** Ratings 30/11/2014**
Capital Adequacy	1 - Strong
Asset Quality	4 - Weak
Management	2 - Satisfactory
Earnings	4 - Weak
Liquidity	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory
Composite Rating	3 - Fair

*CAMELS is an acronym for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. The CAMELS rating system uses a scale of 1-5, where "1" is "Strong", "2" is "Satisfactory", "3" is "Fair", "4" is "Weak" and "5" is "Critical".
** RBS stands for Risk-Based Supervision

26.7.2 Summary risk matrix – 30 November 2014 onsite examination

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

KEY
Level of Inherent Risk:

Low – reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.
Moderate – could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.
High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in 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 control exceptions or by the failure to adhere to written policies or procedures.

Acceptable – management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong – management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk:

Low – would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate – risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High – risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite Risk:
Increasing – based on the current information, risk is expected to increase in the next 12 months.
Decreasing – based on the current information, risk is expected to decrease in the next 12 months.
Stable – based on the current information, risk is expected to be stable in the next 12 months.

27 CAPITAL MANAGEMENT

The objective of the Bank's capital management is to ensure that it complies with the Reserve Bank of Zimbabwe (RBZ) requirements. In implementing the current capital requirements, the RBZ requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets. Risk weighted assets are arrived at by applying the appropriate risk factor as determined by the RBZ to the monetary value of the various assets as they appear on the Bank's statement of financial position.

Regulatory capital consists of:
- Tier 1 Capital ("the core capital"), which comprises of share capital, share premium, retained earnings (including the current year profit or loss), the statutory reserve and other equity reserves.

The core capital shall comprise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets.

- Tier 2 Capital ("supplementary capital"), which includes subordinated term debt, revaluation reserves and portfolio provisions.

- Tier 3 Capital ("tertiary capital") relates to an allocation of capital to meet market and operational risks.

The Bank's regulatory capital position was as follows:

	Unaudited 31 August 2017 US$	Audited 28 February 2017 US$
Share capital	4,077	4,077
Share premium	106,317,629	106,317,629
Retained earnings	(25,910,412)	(35,174,158)
Deferred tax asset	(5,841,883)	(8,640,135)
	74,569,411	62,507,413
Less: Capital allocated for market and operational risk	(2,881,325)	(2,327,248)
Advances to insiders	(1,137,761)	(3,370,464)
Guarantees to insiders	(10,561,130)	(10,000,000)
Tier 1 capital	**59,989,195**	**46,809,701**
Tier 2 capital	**3,163,387**	**3,899,036**
Other reserves	-	-
General provisions	3,163,387	3,899,036
Total Tier 1 and 2 capital	**63,152,582**	**50,708,737**
Tier 3 capital (sum of market and operational risk capital)	2,881,325	2,327,248
Total Capital Base	**66,033,907**	**53,035,985**
Total risk weighted assets	**115,538,534**	**116,596,110**
Tier 1 ratio	52%	40%
Tier 2 ratio	3%	3%
Tier 3 ratio	2%	2%
Total capital adequacy ratio	**57%**	**45%**
RBZ minimum requirement	12%	12%

28 EXTERNAL CREDIT RATINGS

	Most recent rating: September 2017	Previous rating: September 2016	Previous rating: September 2015
Rating agent: Global Credit Rating Co (GCR)	Under review	BBB-	BBB-