# Get a loan of up to 50% of the value of your property.

**Apply For CABS Equity Release today!** Contact us on +263-0242-883822/23 or email: mortgages@cabs.co.zw

# **Unaudited Financial Results**

# For the Half Year Ended 30 June 2018

## **CHAIRMAN'S STATEMENT** For the Half Year Ended 30 June 2018

# Dear Shareholder

Overview In an environment of increased risks and opportunities, the Society maintained its focus on delivering relevant financial services to our customers, on a consistent basis, thereby contributing to the development of the local economy. Nostro funding shortages continue to occupy centre stage and are impacting local business at all levels. Year-on-year, inflation ended the period at 2.9% and economic growth is estimated to be 4.5% for 2018.

At the end of the first half of 2018, the Society's capital and liquidity remained strong. Total regulatory capital was US\$166 million (2017: US\$150 million), after IFRS 9 initial adjustments of US\$20 million to reserves as well as dividends of US\$20 million. Tier 1 capital was US\$114 million (2017: US\$103 million), which remained above the Reserve Bank of Zimbabwe ("RBZ") requirement for a minimum of US\$100 million Tier 1 capital for Building Societies. It was also above the RBZ requirement for a minimum of US\$100 million Tier 1 capital, for Tier 1 banks by 2020. The liquidity ratio was 40% (2017: 35%).

In the six months under review, the Society delivered a surplus of US\$21 million (2017: US\$17 million), a 27% increase. Net interest income was US\$34 million (2017: US\$29 million) as a result of the growth in loans and advances. Non-interest income grew by 32% due to volume increases. Operating expenses increased by 6%. Total assets increased by 10% to US\$1.40 billion in 2018, from US\$1.08 billion in March 2017.

### Human Resources

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

The Society continues to exert effort to enhance service delivery to its customers and to improve controls and efficiencies. Investments to this effect included:

Series includea: On-going branch refurbishments to improve customer experience; Investments in digital networks and customer contact points; and On-going staff training programmes.

### **Corporate Social Responsibility and Responsible Business**

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

The Society also extended funding to sectors that stimulate the economy and provide jobs such as agriculture, mining and manufacturing. It increased its funding of small-holder agricultural projects including the Chibuwe and Mutema banana projects where the Society funded the drilling of boreholes and the enhancement of irrigation infrastructure. The Lowveld Sugarcane Growers' loan scheme which has a total area of 1,960 hectares under cultivation, continues to be funded by the Society.

### Corporate Governance

The Board of Directors and Management remain committed to the best practices 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

On behalf of my colleagues on the Board and on behalf of management, I wish to express profound gratitude to Dr. LL Tsumba who retired from the Board on the 30th of June 2018. I recognise the high and unwavering professional standard and resilience that he demonstrated as Chairman of the Board over the past years. He leaves the Society in a resilient position and with a strong legacy.

Having left the Old Mutual Group, Mr. T Kruger resigned from the Board on 31st March 2018. I thank him for his effective, though short period of service and wish him well in his new endeavours.

### CB 2890 Outlook The Society believes in a positive future for the country and therefore continues 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.

# Shorengy

R C D Chitengu (Mrs) Acting Chairman Central Africa Building Society 15 August 2018

	Notes	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m
nterest income	3	48.35	46.50
Interest income	3	(14.55)	(17.10
Net interest income	5	33.80	29.40
Expected credit losses	4	(6.89)	(2.89
	-	26.91	26.51
Fee and commission income	5.1	31.13	22.7
ee and commission expense	5.1	(11.33)	(7.74
Other income	5.2	0.99	0.75
Operating income for the period		47.70	42.20
Operating expenses	6	(27.07)	(25.50
Fair value adjustment on non-current assets held for sale	12	0.15	
air value adjustment on investment property	14.1	0.26	(0.18
Net Surplus for the period		21.04	16.52
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		(0.51)	0.76
Revaluation of owner occupied property	22.5	0.46	0.18
Regulatory impairment allowance	22.3	(0.97)	0.58
Total comprehensive income for the period		20.53	17.28

# 

	Notes	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 Dec 2017 US\$m
ASSETS				
Cash and cash equivalents	7	122.86	97.75	164.81
Investment securities	8	356.34	217.29	233.53
Other assets	10	67.40	83.05	110.51
Loans and advances	11	764.69	594.33	668.82
Non-current assets held for sale	12	1.08	1.43	1.10
Property and equipment	13	57.86	50.87	55.13
Investment property	14.1	23.68	22.07	23.42
Intangible assets	15	8.59	9.26	9.41
Total assets		1 402.50	1 076.05	1 266.73
LIABILITIES				
Deposits	17	1 155.58	855.69	1 019.22
Credit lines	18	37.09	22.04	23.32
Other liabilities	19	34.22	20.89	29.3
Provisions	20	1.60	4.49	2.77
Deferred taxation	21	3.28		3.26
Total liabilities		1 231.77	903.11	1 077.94
SHAREHOLDERS' EQUITY				
Ordinary class "A" share capital	22.1	35.00	35.00	35.00
Retained earnings	22.2	108.34	96.42	109.99
Regulatory provision reserves	22.3	0.97	15.93	17.95
Non distributable reserves	22.4	1.45	1.45	1.45
Revaluation reserves	22.5	19.23	18.63	18.77
Share based payment reserves	22.6	5.74	5.51	5.63
Total shareholders' equity	1210	170.73	172.94	188.79
Total liabilities and equity		1 402.50	1 076.05	1 266.73

# CABS A Member of the OLDMUTUAL Group

# WE'LL HELP YOU GET THERE

# STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Regulatory provision reserves	Non distributable reserves	Revaluation reserves	Share based payment reserves	Total equity
2018	US\$m	US\$m	U\$\$m	U\$\$m	US\$m	US\$m	US\$m
Balance as at 1 January 2018	35.00	109.99	17.95	1.45	18.77	5.63	188.79
Impact of adopting IFRS 9 on 1 January 2018		(1.72)	(17.95)		-		(19.67)
Restated balance as at 1 January 2018	35.00	108.27	0.00	1.45	18.77	5.63	169.12
Net Surplus	-	21.04		-			21.04
Other comprehensive income	-	(0.97)	0.97	-	0.46		0.46
Dividends on Ordinary class "A" share capital	-	(20.00)		-			(20.00)
Share based payment reserves	-	-		-		0.11	0.11
Balance as at 30 June 2018	35.00	108.34	0.97	1.45	19.23	5.74	170.73

	Share capital	Retained earnings	Regulatory provision reserves	Non distributable reserves		Share based payment reserves	Total equity
2017	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Balance as at 1 January 2017	35.00	99.32	16.51	1.45	18.45	5.35	176.08
Net surplus	-	16.52		-			16.52
Other comprehensive income		0.58	(0.58)	-	0.18	-	0.18
Dividends on Ordinary class "A" share capital		(20.00)		-	-	-	(20.00)
Share based payment reserves				-	-	0.16	0.16
Balance as at 30 June 2017	35.00	96.42	15.93	1.45	18.63	5.51	172.94

# STATEMENT OF CASH FLOWS

	Notes	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m
Cash flows from operating activities			
Net Surplus for the period		21.04	16.52
Adjustments for:			
Net interest income	3	(33.80)	(29.40)
Depreciation and amortisation	6	4.38	4.12
Fair value adjustment on investment property	14.1	(0.26)	0.18
Share based payments provisions	22.6	0.11	0.16
Provisions	-	(1.17)	1.26
Operating cash flows before working capital changes		(9.70)	(7.16)
Decrease/ (Increase) in other assets		43.00	( 5.33)
Increase in loans and advances		(114.77)	(13.35)
Increase in investment securities		(123.45)	(11.35)
Decrease in non-current assets held for sale		0.02	-
Increase in deposits		136.36	10.64
(Decrease)/Increase in other liabilities	_	(7.15)	3.04
Operating cash flows after working capital changes	-	(75.69)	(23.51)
Interest income received		48.35	46.50
Interest expense paid		(14.55)	(17.10)
Net cash flows from operating activities	-	(41.89)	5.89
Cash flows from investing activities			
Additions to intangible assets	15	(1.03)	(0.67)
Additions to property and equipment	13	(4.80)	(2.72)
Net cash flows from investing activities	-	(5.83)	(3.39)
Cash flows from financing activities			
Dividends paid		(8.00)	(20.00)
Credit lines received /(paid)		13.77	(6.60)
Net cash flows from financing activities	-	5.77	(26.60)
Net decrease in cash and cash equivalents		(41.95)	(24.10)
Cash and cash equivalents at the beginning of the period		164.81	121.85
Cash and cash equivalents at the end of the period	7	122.86	97.75

# CORPORATE GOVERNANCE STATEMENT For the Half Year Ended 30 June 2018

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) and Board Committees

	Main Board	Board Audit Committee	Board Risk and Compliance Committee	Board Credit Committee	Board Loans Review Commitee
Number of meetings held	2	2	2	2	2
LL Tsumba (Dr)1	2	-	-	-	-
RCD Chitengu (Mrs) <sup>2</sup>	2	2	2	-	-
J Mushosho	2	-	-	-	-
MJR Dube <sup>3</sup>	1	1	-	1	-
T Kruger⁴	1	-	-	-	1
DEB Long	2	2	1	2	-
T Mutaviri (Mrs) <sup>3</sup>	1	-	-	-	1
AE Siyavora	2	-	-	2	-
B Zamchiya	1	-	2	-	2
SJ Hammond⁵	2	-	-	-	-
M Mpofu⁵	1	-	-	-	-
M Mukonoweshuro⁵	2	-	-	-	-

Ø

R C D CHITENGU (MRS) ACTING CHAIRMAN

HARARE 15 August 2018

He M J R DUBE NON-EXECUTIVE DIRECTOR

Retired from the Board on 30<sup>th</sup> June, 2018 <sup>2</sup> Appointed Acting Board Chairman on 1<sup>st</sup> July, 2018 <sup>3</sup> Appointed to the Board on 30<sup>th</sup> January, 2018 <sup>4</sup> Resigned from the Board on 31<sup>st</sup> March, 2018 <sup>5</sup> Executive

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 seven (7) non-executive Directors, as shown above. With the exception of Messrs J Mushosho who is also the Old Mutual Chief Executive Officer - Rest of Africa, MJR Dube and B Zamchiya together with Mrs 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.

# **Renovate your home**

**Apply For CABS Equity Release today!** Contact us on ±263-0242-883822/23 or email: mortagaes@cabs.co.zw



7

8



# **Unaudited Financial Results**

# For the Half Year Ended 30 June 2018

# NOTES TO THE FINANCIAL STATEMENTS For the Half Year Ended 30 June 2018

1

2

3

**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, deposit acceptance and investing.

Basis of preparation Statement of compliance The Society's financial results have been prepared in accordance with International Financial Reporting Standards (IRSS), International Accounting Standards (IAS) and Interpretations developed by the International Accounting Standards Board (IASB). The financial results 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. These financial statements have been prepared in accordance with the requirements of the Building Society Act (Chapter 24:02).

Functional and presentation currency The acute shortage of cash and foreign currency in the country saw the emergence of different modes of payment for goods and services such as settlement via Real Time Gross Settlement (RTGS), Point of sale (POS) and mobile money has made the issue of the functional currency a key judgement area. The directors concluded that the functional currency of the Society remains the US Dollar.

## Use of estimates and judgments

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 amount 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.

### Use of estimates and judgments

f the Society's policies are available for inspection at the Society's registered office.

	A tull set of the Society's policies are available to	or inspection	at the Society	's registered	ottice.	
	Approval of financial statements The financial statements were approved by the E	Board on 15 /	August 2018.			
				Unav 30 June		Unaudited 30 June 2017 US\$m
3	Net interest income Interest income				8.35	46.50
	Investments Loans and advances				7.35	9.38 37.12
	Interest expense Credit lines				(1.53)	(17.10) (1.27)
	Money market deposits Term deposits			(	12.64)	(15.61) (0.01) (0.21)
	Savings and demand deposits				(0.01) (0.37)	(0.21)
	Net interest income			3	3.80	29.40
4	Expected credit losses (ECL)	Un	audited 201 Life time	8		Unaudited
			ECL not	Life time		
		12-month	credit	ECL credit		30 June
		ECL US\$m	impaired US\$m	impaired US\$m	Total US\$m	2017 US\$m
4.1	Loans and advances	<b>i</b>				
	Expected credit losses analysis					10.45
	Loss allowance on 1 January Transfer to 12-month ECL	12.30 0.20	1.47 (0.19)	20.73 (0.01)	34.50	19.45
	Transfer to life time ECL not credit impaired	(0.66)	0.79	(0.13)	-	-
	Transfer to life time ECL credit impaired Net increase in loans and advances <sup>1</sup>	(0.44) 4.66	(0.38) 0.13	0.82	4.79	2.14
	Utilisation of ECL		-	(1.07)	(1.07)	
	Balance as at 30 June	16.06	1.82	20.34	38.22	21.59
	Gross carrying amount analysis Gross carrying amount on 1 January	589.27	43.90	51.23	684.40	602.70
	Transfer to 12-month ECL	4.41	(4.15)	(0.26)	004.40	
	Transfer to life time ECL not credit impaired Transfer to life time ECL credit impaired	(12.87) (8.23)	15.26 (6.83)	(2.39) 15.06	-	-
	Net increase in loans and advances	118.73	3.32	(3.54)	118.51	13.22
	Balance as at 30 June	691.31	51.50	60.10	802.91	615.92
4.2	Investment securities					
	Expected credit losses analysis Loss allowance on 1 January	2.52			2.52	
	New investment securities- purchased 1	1.62	-	-	1.62	-
	Investment securities that have matured <sup>1</sup> Re-assessment of ECL <sup>1</sup>	(0.63) (0.35)	-	-	(0.63) (0.35)	-
	Balance as at 30 June	3.16	-	-	3.16	
	Gross carrying amount analysis					
	Gross carrying amount on 1 January New investment securities- purchased	235.41 258.17	-	-	235.41 258.17	-
	Investment securities that have matured	(134.08)	-	-	(134.08)	
	Balance as at 30 June	359.50	-	-	359.50	
4.3	Other financial assets					
	Expected credit losses analysis Loss allowance on 1 January	1.73		3.81	5.54	3.40
	New financial assets 1	-	-	1.61	1.61	-
	Financial assets that have been derecognised <sup>1</sup> Net remeasurement of ECL through profit or loss <sup>1</sup>	(0.15)	-	-	(0.15)	(0.05)
	Balance as at 30 June	1.58	-	5.42	7.00	3.35
	Gross carrying amount analysis					
	Gross carrying amount on 1 January Net new financial assets- originated	47.32	-	5.08 1.30	52.40 1.30	16.13
	Net financial assets that have been derecognised	(39.44)		-	(39.44)	
	Net remeasurement of ECL Balance as at 30 June	7.88		6.38	14.26	<u>8.73</u> <b>24.86</b>
		,		0.00	17.20	

The total impairment charge (ECL) through profit or loss is US\$6.89 million (2017: US\$2.89 million) and has been analysed above.

### Net fee and commission income

-			
5.1	Fee and commission income	31.13	22.71
	Commissions	12.55	8.06
	Service fees	7.77	8.97
	Administration fees	10.81	5.68

# WE'LL HELP YOU GET THERE

5.53 356.34

<u>5.18</u> 217.29

<u>5.03</u> 233.53

NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
<b>Cash and cash equivalents</b> Cash balances Bank balances	5.09 117.77 <b>122.86</b>	3.06 <u>94.69</u> <b>97.75</b>	2.09 162.72 <b>164.81</b>
Included in cash and cash equivalents are bond notes which the RBZ began issuing gradually into the economy in November 2016 to ease the shortage of physical cash. The bond notes are pegged at an exchange rate of 1:1 with the US\$.			
Investment securities Fixed deposits Bankers' acceptances Treasury bills	140.00 216.34 <b>356.34</b>	78.65 7.07 131.57 <b>217.29</b>	46.64 <u>186.89</u> <b>233.53</b>
Maturity analysis - gross On demand to 3 months 3 months to 1 year 1 year to 5 years Over 5 years	128.29 136.39 86.13 5.53	85.23 63.20 63.68 5.18	95.82 42.53 90.15 5.03

### **IFRS 9 Financial instruments**

IFRS 9 - Financial instruments, was issued in July 2014 and the Society applied it on 1 January 2018 being the effective date

Transition Changes in the accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively without restatement.

### Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities In determining the classification of financial assets and liabilities, the Society makes an assessment of the objective of the business model in which an asset is held at a portfolio level. Some of the information considered includes; stated policies and objectives, how performance of the portfolio is evaluated, risks affecting the performance of the portfolio and frequency, volume and timing of sales. In assessing whether the contractual cash flows are solely payments of principal and interest, the Society considers the contractual terms and conditions of the instrument.

- As a result of these judgements under IFRS 9:
  Loans are now subsequently classified as "At amortised cost" being a transition from "loans and receivables".
  Cash and cash equivalents are carried at amortised cost in the statement of financial position.
  Investment securities comprising of money market assets and treasury bills are carried at amortised cost, being a transition from fair value through profit or loss.
  Investment in equities continue to be classified at fair value through profit or loss.
  Other financial instruments are now measured at amortised cost from loans and receivables.

Impairment of financial assets IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model. The Society measures the loss allowances to an amount equal to lifetime expected credit loss [ECL], except for financial assets on which credit risk has not increased significantly, these are measured as a twelve [12] month ECL. 12 month ECL is the portion or ECL that is expected to be incurred within the 12 months of reporting date.

### Classification of financial assets and liabilities 9.1

30 June 2018		Mandatorily at fair value through profit or loss US\$m	Amortised cost US\$m	Total carrying amount US\$m
Assets Cash and cash equivalents Investment securities Other financial assets Loans and advances		0.84	122.86 356.34 13.42 764.69 <b>1 257.31</b>	122.86 356.34 14.26 764.69 <b>1 258.15</b>
<b>Liabilities</b> Deposits Credit lines Other liabilities			1 155.58 37.09 46.32 1 238.99	1 155.58 37.09 46.32 <b>1 238.99</b>
30 June 2017	Fair value through profit or loss US\$m	Loans and receivables US\$m	Other amortised cost US\$m	Total carrying amount US\$m
Assets Cash and cash equivalents Investment securities Other financial assets Loans and advances	217.29 0.89 <b>218.18</b>	97.75 23.97 594.33 <b>716.05</b>	- - - -	97.75 217.29 24.86 594.33 <b>934.23</b>
<b>Liabilities</b> Deposits Credit lines Other liabilities		-	855.69 22.04 9.54 <b>887.27</b>	855.69 22.04 <u>9.54</u> <b>887.27</b>

# **CABS Funeral Plan.**

PREMIUMS ARE ONLY PAYABLE OVER A 10 YEAR PERIOD, WHILST YOU ARE COVERED FOR LIFE.



Fee and commission expense Transactional commission and fee expense Other commission and fee expense

### Net fee and commission income

### 5.2 Other income

	Net other income	0.99	0.72
5.2.1	Trading income		
	Housing projects sales	10.77	1.55
	Less cost of sales	(10.69)	(1.50)
	Gross profit	0.08	0.05
	Less expenses	(0.57)	(0.89)
	Net trading (loss)	(0.49)	(0.84)
5.2.2	Investment property		
	Rental income	1.83	1.52
	Less expenses	(1.38)	(1.13) <b>0.39</b>
	Net rental income	0.45	0.39
5.2.3	Income from trading activities	1.03	1.17

### 6 **Operating expenses**

Administration	12.01	11.32
Depreciation and amortisation	4.38	4.12
Staff costs	10.68	10.06
Total operating expenses	27.07	25.50

The number of persons employed by the Society as at 30 June 2018 was 750 (June 2017: 708)

11.33)	 1.74)
(9.08)	(5.20)
(2.25)	(2.54)
	 · · · · ·

10.00	
19.80	14.97

0.99	0.72	
10.77	1.55	
10.77	1.55	
(10.69)	(1.50) 0.05	
0.08		
(0.57)	(0.89)	
(0.49)	(0.84)	



# WE'LL HELP YOU GET THERE

A Member of the Deposit Protection Scheme. Underwritten by Old Mutual Life Assurance Company Zimbabwe Limited.



2

# **Expand your business**

Apply For CABS Equity Release today! Contact us on +263-0242-883822/23 or email: mortgages@cabs.co.zw

# **Unaudited Financial Results**

CB4253B

# For the Half Year Ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

## **IFRS 9 Financial instruments (continued)**

9

CB 2890

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

		Original classification under IAS 39	New classififcation under IFRS 9	Original carrying amount under IAS 39	New Carrying amount under IFRS 9
	Notes			US\$m	US\$m
Assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	164.81	164.81
Investment securities		Fair value through profit or loss (designated)	Amortised cost	233.53	232.89
Other financial assets	10.1	Amortised cost	Amortised cost	52.40	52.29
Loans and advances		Loans and receivables	Amortised cost	668.82	649.90
Total				1 119.56	1 099.89
Liabilities					
Money market deposits	17.	Amortised cost	Amortised cost	525.70	525.70
Savings and demand deposits	17.	Amortised cost	Amortised cost	493.04	493.04
Term deposits	17.	Amortised cost	Amortised cost	0.48	0.48
Credit lines	18.	Amortised cost	Amortised cost	23.32	23.32
Other liabilities	19	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

Investment securities 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, investment securities were designated at fair value through profit or loss because the Society managed them on a fair value basis. The fair value of these financial assets was US\$354.74million at 30 June 2018. If these instruments were accounted for as financial assets at fair value to loss, a fair value box of US\$1.5million would have been recognised for these instruments for the interim reporting period. The original effective interest rate of these instruments ranges between 4% and 23% per annum and US\$7.35million of interest income on these instruments has been recognised during in the interim reporting neriod. reporting period.

### 9.3 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	Reclassification	Remeasurement	New Carrying amount under IFRS 9 as at 1 January 2018
	US\$m	US\$m	US\$m	, US\$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	-	
Remeasurement of ECL	-	-	(2.52)	
Closing balance	233.53	1.88	(2.52)	232.89
Other financial assets				
Opening balance	52.40	-	-	
Remeasurement of ECL	-	-	(0.11)	
Closing balance	52.40	-	(0.11)	52.29
Loans and advances				
Opening balance	668.82	-	-	
Remeasurement of ECL	-	-	(18.92)	
Closing balance	668.82	-	(18.92)	649.90
Total amortised cost	1 119.56	1.88	(21.55)	1 099.89
Financial liabilities				
Amortised cost				
Money market deposits	525.70	-	-	525.70
Savings and demand 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

Reconcilliation of the impairment allowance on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	New Carrying amount under IFRS 9 as at 1 January 2018
	US\$m	US\$m	US\$m	US\$m
Cash and cash equivalents	-	-	-	-
Investment securities	-	-	2.52	2.52
Other financial assets	5.43	-	0.11	5.54
Loans and advances	15.58	-	18.92	34.50
	21.01	-	21.55	42.56



# WE'LL HELP YOU GET THERE

# NOTES TO THE FINANCIAL STATEMENTS (continued)

		- Note_	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
10	Other assets	_	67.40	83.05	110.51
10.1	Comprising: Other financial assets carried at amortised cost Equity investments Sundry debtors and other assets	-	0.84 13.42 14.26	0.89 23.97 24.86	0.89 51.51 52.40
10.2	Other non financial assets Other assets Stock on hand	-	5.97 1.04 <b>7.01</b>	2.01 0.30 <b>2.31</b>	3.08 0.75 <b>3.83</b>
10.3	Inventory work in progress - ZRP housing project - Budiriro housing project - Pumula housing project	-	7.39 34.73 <u>4.01</u> <b>46.13</b>	8.54 47.34 <b>55.88</b>	7.38 43.72 <u>3.18</u> <b>54.28</b>
10.3.1	Housing projects - inventory work in progress Opening balance Additions Cost of sales Write down Other assets are expected to be recovered in a period of no more than twelve months after the	-	54.28 2.54 (10.69) <b>46.13</b>	57.09 0.30 (1.51) <b>55.88</b>	57.09 4.32 (5.98) (1.15) <b>54.28</b>
11	reporting date. Loans and advances Gross amount owing Less impoirment on loans and advances Loans and advances Concentration - gross Housing	4.1_	802.91 (38.22) <b>764.69</b> 265.31	615.92 (21.59) <b>594.33</b> 242.88	684.40 (15.58) <b>668.82</b> 199.47
	Individuals Commercial and industrial	-	172.65 364.95 <b>802.91</b>	110.53 262.51 615.92	166.72 318.21 <b>684.40</b>
	Maturity analysis - gross On demand to 3 months 3 months to 1 year 1 year to five years Over 5 years	-	114.48 253.84 384.66 49.93 <b>802.91</b>	87.17 190.76 291.79 <u>46.20</u> <b>615.92</b>	100.04 205.16 316.76 <u>62.44</u> <b>684.40</b>
	Total non-performing loans	-	60.07	53.87	43.28
	Past due but not impaired 30 to 60 days past due 61 to 90 days past due	-	115.61 <u>33.65</u> <b>149.26</b>	102.37 32.01 <b>134.38</b>	79.57 42.45 <b>122.02</b>
	Commitment for loans and advances	_	63.10	12.59	29.50
12	Non current assets held for sale	_			
	Opening valuation Additions Disposals Fair value gain/(loss) Closing valuation	-	1.10 (0.17) 0.15 <b>1.08</b>	<b>1.41</b> 0.02 	1.41 0.21 (0.25) (0.27) 1.10

The Society intends to dispose the properties that were possessed in the foreseeable future.



Impact of adopting IFRS 9 at 1 January 2018 US\$m

17.95

(17.95)

109.99

(1.72)

17.95

1.88

(21.55)

108.27

108.27

### **Regulatory reserve**

Closing balance as at 31 December 2017 under IAS 39
Transfer to retained earnings
Restated closing balance

## **Retained earnings**

Closing balance as at 31 December 2017 under IAS 39 Net impact of adopting IFRS 9 on 1 January 2018 Transfer from regulatory reserve Reclassification and remeasurement of financial instruments Recognition of expected credit losses Restated closing balance

Total restated closing balance of impacted reserves

and and	X \$50	P
2.2.2.2°	winners	<b>\$</b>



## Buy goods worth \$10 or more and swipe your CABS card on a CABS POS machine at any N. Richards store countrywide. Every \$10 you spend gives you a chance to win. Prize money will be credited directly into your CABS account Open to CABS individual account holders only. Promotion runs from 23 July 2018 to 8 September 2018.



# Follow the winners on CABS facebook page.

Terms and conditions apply

## WE'LL HELP YOU GET THERE

1

100

Contact us on (0242) 883823-60. www.cabs.co.zw A Member of the Deposit Protection Scheme

CABS

CLDMUTUAL @

## 3

# Pay for your child's education

Apply For CABS Equity Release today! Contact us on +263-0242-883822/23 or email: mortgages@cabs.co.zw

# **Unaudited Financial Results**

# For the Half Year Ended 30 June 2018

# **NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the Half Year Ended 30 June 2018			•	•	
Property and equipment	Land USSm	Buildings US\$m	Office Equipment USSm	Vehicles USSm	Total USSm
Six months ended 30 June 2018	033111	033111	03311	035111	035111
Opening net book value	4.61	37.28	11.66	1.58	55.13
Additions	-	0.03	4.36	0.41	4.80
Revaluation gain	0.01	0.45	-	-	0.46
Depreciation charge	-	(0.38)	(1.88)	(0.27)	(2.53
Closing net book value	4.62	37.38	14.14	1.72	57.86
Cost or valuation	4.62	37.38	29.85	3.86	75.71
Accumulated depreciation			(15.71)	(2.14)	(17.85
Net book value	4.62	37.38	14.14	1.72	57.86
Six months ended 30 June 2017					
Opening net book value	4.43	35.34	9.23	1.34	50.34
Additions		0.27	1.96	0.49	2.72
Revaluation gain	0.11	0.07	-	_	0.18
Depreciation charge	-	(0.35)	(1.77)	(0.25)	(2.37
Closing net book value	4.54	35.33	9.42	1.58	50.87
Cost or valuation	4.54	35.33	21.24	3.40	64.51
Accumulated depreciation	-	-	(11.82)	(1.82)	(13.64
Net book value	4.54	35.33	9.42	1.58	50.87
Audited year ended 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	25.49	3.45	70.83
Accumulated depreciation			(13.83)	(1.87)	(15.70

If the revalued land and buildings had been measured under the cost model, the carrying amount in the current year would have been; land US\$2.21 million (December 2017 US\$2.21 million) and buildings US\$14.48 million (December 2017 US\$14.84 million).

37.28

11.66

1.58

55.13

16.3

17

18

3

1.95

9.03

4.61

The properties were valued by Old Mutual Property Zimbabwe (Private) Limited's qualified valuers and the effective date of the valuation is 30 June 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 18.

Net book value

		Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
14	Investment property and operating leases			
14.1	Investment property			
	Opening fair value	23.42	22.25	22.25
	Fair value adjustment	0.26	(0.18)	-
	Other movements	-	-	1.17
	Closing fair value	23.68	22.07	23.42

Details of the valuation methodology have been disclosed in notes 13 and 16.

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 18.

Unavdited	Unaudited	Audited
30 June	30 June	31 December
2018	2017	2017
US\$m	US\$m	US\$m

### 14.2 **Operating leases**

### 14.2.1 Society as a lessee

Non - cancellable operating lease rentals are payable

• Less than 1 year	0.36	0.34	0.73
Between 1 and 5 years	1.67	1.58	3.39
	2.03	1.92	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			
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.			

CABS	
A Member of the 😥 OLDMUTUAL Group	

# WE'LL HELP YOU GET THERE

Level 1 Level 2 Level 3

Total

# NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

16 Assets at fair value

### Fair value hierarchy 16.1

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_	US \$m	US \$m	US \$m	US \$m
As at 30 June 2018					
Assets at fair value through profit or loss					
Equity investments	10.1	-	0.84	-	0.84
Investment property	14.1	-	-	23.68	23.68
Non-current assets held for sale	12	-	-	1.08	1.08
Assets at fair value through					
other comprehensive income					
Owner occupied property (land and buildings)	13	-	-	42.00	42.00
	_	-	0.84	66.76	67.60
As at 30 June 2017					
Assets at fair value through profit or loss					
Investment securities	8	-	217.29	-	217.29
Equity investments	10.1	-	0.89	-	0.89
Investment property	14.1	-	-	22.07	22.07
Non-current assets held for sale	12	-	-	1.43	1.43
Assets at fair value through					
other comprehensive income					
Owner occupied property (land and buildings)	13_	-	-	39.87	39.87
	_	-	218.18	63.37	281.55
As at 31 December 2017					
Assets at fair value through profit or loss					
Investment securities	8	-	233.53	-	233.53
Investment in equity	8 14.1	-	0.89	23.42	0.89 23.42
Investment property Non-current assets held for sale	14.1	-	-	1.10	1.10
Assets at fair value through	12			1.10	1.10
other comprehensive income					
Owner occupied property (land and buildings)	13_	-	<u> </u>	41.89	41.89
		-	234.42	66.41	300.83

### 16.2 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 assets or liabilities, either directly (that is, as prices or indirectly (that is, derived from prices) (level 2), and inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

Assets	Valuation technique and inputs	
Investment securities	Discounted cashflow	
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	

Reconciliation of level 3 items	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 30 December 2017 US\$m
Balance as at 1 January	66.41	63.43	63.43
Additions	0.03	0.29	0.62
Disposal	(0.17)	-	(0.25)
Depreciation recognised in profit or loss	(0.38)	(0.35)	(0.70)
Other movements	-	-	3.26
Gains or losses for the period:			
Recognised in profit or loss	0.41	(0.18)	(0.27)
Recognised in other comprehensive income	0.46	0.18	0.32
Closing balance	66.76	63.37	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. The following table shows the valuation techniques used in the determination of the fair values for the properties, as well as the unobservable inputs used in the valuation models.

Type of property	Valuation approach	Key unobservable inputs	Inter-relationship unobservable inp value measureme	outs and the fai
Office, retail and industrial properties	Income capitalisation	Rental income per square meter and capitalisation rates	The estimated fair ve increase if: > net rental income > capitalisation rate: > vacancies decreas	increased; s decreased; and
		Vacancies	The estimated fair ve decrease if the unob changed the other v	servable inputs
Residential property	Sales comparison approach	Price for comparable properties	The estimated fair ve increase if prices for properties increased	comparable
Land	Sales comparison approach	Price for comparable properties	The estimated fair ve increase if prices for properties increased	comparable
		Unaudited 30 June 2018 US\$m	30 June 2017	Audited 31 December 2017 US\$m
Deposits		620.72	545.15	525.70
Money market deposits Term deposits		620.72		0.48
Savings and demand de	oosits	533.94		493.04
Savings and demand de	005115	1 155.58		1 019.22
Maturity analysis				
On demand to 3 months	;	974.27		693.80
		F / / /	00.04	100.00

13

# CB 2890

### 6.40 5.23 10.98

0.93

4.30

1.14

5.26

The Society leases out its investment property under operating leases.

Operating lease rentals are receivable as follows

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.

### 15 Intangible assets

Less than 1 year

Between 1 and 5 years

14.2.2

### Opening carrying amount

Cost	22.98	20.30	20.30
Accumulated amortisation	(13.57)	(9.96)	(9.96)
	9.41	10.34	10.34
Movement in intangible assets			
Additions	1.03	0.67	2.68
Amortisation charge	(1.85)	(1.75)	(3.61)
	(0.82)	(1.08)	(0.93)
Closing carrying amount			
Cost	24.01	20.97	22.98
Accumulated amortisation	(15.42)	(11.71)	(13.57)
	8.59	9.26	9.41

G	Fross nominal outflow
	Over 5 years
	year to five years
	months to T year

1 155.58	855.69	1 019.22
71.12	45.84	68.27
53.53	95.25	66.86
56.66	93.84	190.29

	30 June		30 June		December	
	2018	Weight	2017	Weight	2017	Weight
Concentration	US\$m	%	US\$m	%	US\$m	%
Financial institutions	502.38	43.5%	427.79	50.0%	436.09	42.8%
Companies	523.24	45.3%	316.53	37.0%	470.79	46.2%
Individuals	129.96	11.2%	111.37	13.0%	112.34	11.0%
	1 155.58	100%	855.69	100%	1 019.22	100%
		Un	audited	Unaudited		Audited
			30 June	30 June	31 De	cember
			2018	2017		2017
			US\$m	US\$m		US\$m
Credit lines						
PTA Bank			25.97	4.27		10.18
Shelter Afrique			8.87	10.36		9.74
ZADT			-	2.91		-
Proparco			2.25	4.50		3.40
			37.09	22.04		23.32
Maturity analysis						
On demand to 3 months			-	4.34		0.68
3 months to 1 year			9.08	8.07		8.63
1 year to five years			28.01	9.63		14.01
			37.09	22.04		23.32

# Pay for your vacation

**Apply For CABS Equity Release today!** Contact us on +263-0242-883822/23 or email: mortgages@cabs.co.zw

# **Unaudited Financial Results**

# For the Half Year Ended 30 June 2018

# NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

### Credit lines (continued) 18

The PTA bank loan is repayable over 3 years and the Shelter Afrique and Proparco loans over 10 years. The PTA loan was obtained in October 2017, the Proparco loan in October 2016 and the Shelter Afrique loans in 2014. As security for the PTA Bank loan, the Society registered bonds of US\$7 million and issued powers of attorney to register bonds (in the event of default) over properties with a total value of US\$41.9 million as at 30 June 2018 (both investment properties and owner occupied properties). The Shelter Afrique loan is secured by a guarantee from OMZL as well as a cession of the performing loan book covering two times the exposure at any given time. The Proparco loan is secured by a negative pledge of assets plus a cash security deposit of US\$0.56 million

19	Other liabilities	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
19	Other hublines			
	Trade creditors	23.04	9.54	18.67
	Short term employee benefits	1.70	0.03	2.50
	Deferred revenue	9.48	11.32	8.20
		34.22	20.89	29.37

The Directors believe the carrying amount of other liabilities approximate the fair value. Other liabilities are expected to be settled in a period of no more than twelve months from the reporting date, with the exception of deferred revenue

### 20 Duculation

Provisions			
Opening balance	2.77	5.47	5.47
Net movements	(1.17)	(0.98)	(2.70)
Closing balance	1.60	4.49	2.77

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

### 3.<u>28</u> 21 Deferred taxation 3.26

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

### 22 Share capital and reserves

### 22.1 Ordinary class "A" share capital

The authorised and issued ordinary share capital is			
made up of 35 000 000 class "A" shares of \$1 each.	35.00	35.00	35.00

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.

### CB 289 22.2 **Retained earnings**

	Opening balance	109.99	99.32	99.32
	Impact of adopting IFRS 9 at 1 January 2018	(1.72)		
	Restated balance at 1 January 2018	108.27	99.32	99.32
	Net surplus for the period	21.04	16.52	42.11
	Dividend payable	(20.00)	(20.00)	(30.00)
	Regulatory loan loss provision	(0.97)	0.58	(1.44)
	Closing balance	108.34	96.42	109.99
22.3	Regulatory provision reserves			
	Opening balance	17.95	16.51	16.51
	Impact of adopting IFRS 9 at 1 January 2018	(17.95)		-
	Restated balance 1 January 2018	-	16.51	16.51
	Regulatory impairment allowance	0.97	(0.58)	1.44
	Closing balance	0.97	15.93	17.95
22.4	Non-distributable reserves	1.45	1.45	1.45
	The reserve relates to amounts which are not available for distribution to shareholders.			
22.5	Revaluation reserves			
	Opening balance	18.77	18.45	18.45
	Revaluation of properties	0.46	0.18	0.32
	Closing balance	19.23	18.63	18.77
	The revaluation reserve relates to the revaluation of propert	ies.		
22.6	Share based payment reserves			
	Opening balance	5.63	5.35	5.35
	Share based payment reserve	0.11	0.16	0.28

Closing balance	5 74	5 51	5
Share based payment reserve	0.11	0.16	0
Opening balance	5.63	5.35	5

The reserve relates to the cost incurred by the Society for transactions which are equity settled (note 26).

### 23 **Derivative financial instruments**

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

### 24 Foreign currency exposures

The Society is currently trading in an environment where multiple currencies are in use. The United States dollar [USD] and South African Rand [ZAR] are the major trading currencies. The Society is exposed to exchange rate movement of the rand and other major currencies against the United States dollar.

### 25 **Related party disclosures**

Group companies The Society is a wholly owned subsidiary of Old Mutual Zimbabwe Limited, 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.

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

- Subsidiaries of parent company CABS Custodial Services (Private) Limited; Old Mutual Finance (Private) Limited; Old Mutual Investment Group Zimbabwe (Private) Limited; Old Mutual Infe Assurance Company Zimbabwe Limited;



CABS

# WE'LL HELP YOU GET THERE

NOTES TO THE FINANCIAL STATEMENTS (continued)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the Half Year Ended 30 June 2018

25	Related party disclosures (continued)			
		Unaudited	Unaudited	Audited
		30 June 2018	30 June 2017	31 December 2017
		US\$m	US\$m	US\$m
25.2	Balances with Group companies	· ·	<u>.</u>	·
	During the period the Society had transactions with Group companies and the outstanding balances at period end were:			
	Amounts due to the holding company	207.11	235.70	(238.33)
	Amounts due to fellow subsidiaries	12.50	0.49	(230.33)
	-	219.61	236.19	(238.14)
	Amounts due from fellow subsidiaries	1.08	0.86	(0.42)
	_			
	The Society had the following bank balance with Nedbank Limited:			
	Current account balance United States Dollars (US\$m)	1.76	33.20	34.19
	Current account balance in South African Rands (ZARm)	0.01	0.01	0.01
	The Society had the following money market placements with Nedbank Limited:			
	Money market placements	2.00	-	20.00
	Interest accrued on placements	0.01	-	0.05
	-	2.01	-	20.05
25.3	Transactions with Group companies			
	The Society entered into normal business transactions with Group companies. Income earned and interest paid in respect to these transactions as listed below:			
	Insurance paid to Old Mutual Insurance Company (Private) Limited	0.39	0.45	0.91
	Outsourced services - Old Mutual Shared Services	2.71	3.08	5.96
	(Pvt) Ltd Interest payable to fellow subsidiaries	10.14	8.05	9.78
	Fees payable to Old Mutual Properties (Private) Limited	0.24	0.19	0.51
25.4	Loans to executives and senior management	0.80	0.98	1.18
	These loans were granted at arm's length.			
25.5	Compensation of key management personnel			
	The remuneration of Directors and other members of key management during the period was as follows:			
	Short term benefits	3.19	2.42	4.78
	Post employment benefits	0.10	0.16	0.25
	Share based payments	0.11	0.16	0.28
	-	3.40	2.74	5.31
25.6	Director's fees	0.16	0.15	0.29

26 Post employment employee benefits

### Old Mutual Group Pension Fund - Defined contribution fund 26.1

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.

### National Social Security Authority 26.2

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.

### 27 Share-based payments

0.28 5.63

27.1

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 Indigenisation Employee Share Scheme**

This scheme operates for the benefit of all employees of OMZIL. On 1 June 2012 (the allocation date), an allocation was made to the participants. The allocation is not subject to any performance targets, however, the participant must remain an employee up to and including the respective vesting dates. Staff joining the Group after the allocation date do not participate in the scheme.

Participants are paid dividends in respect of the allocated shares and are entitled to exercise the voting rights in respect of the shares. Participants may, however, only take delivery of the shares on the vesting dates, which dates occur two years after the allocation date (one-third), three years after the allocation date (one-third) and four years after the allocation date (one-third) of participation in the scheme.

### **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. Participants are to be paid dividends in respect of the share awards

### 27.2 **Composition of share based options**

- Mutual Property Zimbabwe (Private) Limited;
- Old Mutual Securities (Private) Limited
- Old Mutual Shared Services (Private) Limited;
   Old Mutual Shared Services (Private) Limited; and
   RM Insurance Holdings (100% shareholder of Old Mutual Insurance Company (Private) Limited).

# Group related company • Nedbank Zimbabwe Lim

25.

ited

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 and the Marketing Executive.

		Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
.1	Loans to Directors			
	Opening balance	16.77	16.83	16.38
	Granted during the period	-	0.05	0.22
	Interest and insurance charges	0.44	0.33	0.58
	Repayments during the period	(0.93)	(0.23)	(0.41)
	Closing balance	16.28	16.98	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 non-executive Director has 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.

Share options	Number of shares (m) 30 June 2018	Number of shares (m) 30 June 2017	Number of shares (m) 31 December 2017
Outstanding at beginning of period	0.77	1.07	1.07
Granted during period	-	-	-
Forfeited during period	-	(0.02)	(0.02)
Exercised during period	(0.29)	(0.28)	(0.28)
Outstanding at end of period	0.48	0.77	0.77

The average exercise price during the year was \$1.40 (2017 : \$1.40) per share.

The shares are listed on the Finsec Automated Trading Platform (ATP). The ATP price was \$2.10 (2017 \$2.05) as

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

## **Financial Risk Exposures**

28

This note presents information about the Society's exposure to each of the following risks: credit risk, liquidity risk, compliance risk, market risk, operational risk, strategic risk, and reputational risk.

5





# WE'LL HELP YOU GET THERE

## For the Half Year Ended 30 June

# NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

### 28.1 Credit risk

- The Management Credit Committee (MCC) is responsible for implementing the Board approved risk managem applicable activities include strategies and policies for the management of credit risk under the oversight of the Board Credit Committee. The
- 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;
- .
- timiting 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
- Regular audits of the Society's credit processes are undertaken by the Old Mutual Group Internal Audit and the ociety's Internal Audit.
- Capital requirements for credit risk are subject to Basel II Modified Standardised approach.

### 28.2 Liquidity risk

CB 2890

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 30 June 2018 are given below:

	Unaudited 30 June 2018	Unaudited 30 June 2017	Audited 31 December 2017
	US\$m	US\$m	US\$m
Total liquid assets	479.20	315.04	398.34
Total liabilities to the public	1 192.67	877.73	1 042.54
Liquidity ratio	40%	35%	38%
Maximum liquidity ratio for the period	41%	36%	38%
Minimum liquidity ratio for the period	31%	34%	33%
Average liquidity ratio for the period	35%	35%	36%

### Liquidity gap analysis as at 30 June 2018 28.2.1

	On demand to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non- determinant maturity	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Assets						
Cash and cash equivalents	122.86	-	-	-	-	122.86
Investment securities	128.29	136.39	86.13	5.53	-	356.34
Loans and advances	109.35	242.68	366.81	45.85	-	764.69
Other assets	-	-	-	-	67.40	67.40
Intangible assets	-	-	-	-	8.59	8.59
Property and equipment	-	-	-	-	57.86	57.86
Investment property	-	-	-	-	23.68	23.68
Non-current assets						
held for sale	-	-	-	-	1.08	1.08
Total assets	360.50	379.07	452.94	51.38	158.61	1 402.50
Liabilities						
Deposits	974.27	56.66	53.53	71.12	-	1 155.58
Credit lines	-	9.08	28.01	-	-	37.09
Other liabilities	-	-		-	34.22	34.22
Provisions	-	-	-	-	1.60	1.60
Deferred taxation	-	-	-	-	3.28	3.28
Shareholders' equity	-	-	-	-	170.73	170.73
Total liabilities	974.27	65.74	81.54	71.12	209.83	1 402.50
Net liquidity gap	(613.77)	313.33	371.40	(19.74)	(51.22)	
Cumulative liquidity gap	(613.77)	(300.44)	70.96	51.22	-	-

Liquidity gap analysis as at 30 June 2017

	On demand to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non- determinant maturity	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Assets						
Cash and cash equivalents	97.75	-	-	-	-	97.75
Investment securities	85.23	63.20	63.68	5.18	-	217.29
Loans and advances	84.54	185.13	280.39	44.27	-	594.33
Other assets	-	-	-	-	83.05	83.05
Intangible assets	-	-	-	-	9.26	9.26
Property and equipment	-	-	-	-	50.87	50.87
Investment property	-	-	-	-	22.07	22.07
Non-current assets held for sale	-	-	-	-	1.43	1.43

# NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

### 28 Financial Risk Exposures (continued)

### 28.2 **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.

### 28.3 **Market risks**

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 exposures within acceptable parameters while optimising the return on risk.

### 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 sce requirements for market risk are subject to Basel II standardised approach. narios. Capital

### Interest rate repricing and gap analysis June 2018

	On demand to 3 months US\$m	3 months to 1 year US\$m	1 year to 5 years US\$m	Over 5 years US\$m	Non- Interest bearing US\$m	Total US\$m
Assets						
Investment securities	128.29	136.39	86.13	5.53	-	356.34
Loans and advances	109.35	242.68	366.81	45.85	-	764.69
Total assets	237.64	379.07	452.94	51.38	-	1 121.03
Liabilities						
Deposits	462.20	56.66	53.53	70.19	-	642.58
Credit lines	-	9.08	28.02	-	-	37.10
Total liabilities	462.20	65.74	81.55	70.19	-	679.68
Net liquidity gap	(224.56)	313.33	371.39	(18.81)	-	441.35

### **C**umulative interest rate

repricing liquidity gap (224.56) 88.77 460.16 441.35 441.35 441.35

## Interest rate repricing and gap analysis June 2017

	On demand to 3 months US\$m	3 months to 1 year US\$m	1 year to 5 years US\$m	Over 5 years US\$m	Non- Interest bearing US\$m	Total US\$m
Assets						
Financial assets at fair value						
through profit or loss	85.23	63.20	63.68	5.18	-	217.29
Loans and advances	84.54	185.13	280.39	44.27	-	594.33
Total assets	169.77	248.33	344.07	49.45	-	811.62
Liabilities						
Deposits	323.44	93.83	95.25	45.84	-	558.36
Credit lines	4.34	8.07	9.63	-	-	22.04
Total liabilities	327.78	101.90	104.88	45.84	-	580.40
Net liquidity gap	(158.01)	146.43	239.19	3.61	-	231.22

### repricing liquidity gap (158.01) (11.58) 227.61 231.22 231.22 231.22 **Operational risks**

he 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 Comm 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.

### 28.5 Strategic risk

28.4

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

### 28.6 **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:

Total assets	267.52	248.33	344.07	49.45	166.68	1 076.05
Liabilities						
Deposits	620.76	93.84	95.25	45.84	-	855.69
Credit lines	4.34	8.07	9.63	-	-	22.04
Other liabilities	-	-	-	-	20.89	20.89
Provisions	-	-	-	-	4.49	4.49
Deferred taxation	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	172.94	172.94
Total liabilities	625.10	101.91	104.88	45.84	198.32	1 076.05
Net liquidity gap	(357.58)	146.42	239.19	3.61	(31.64)	
Cumulative liquidity gap	(357.58)	(211.16)	28.03	31.64	-	-

- 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 positive information) and minimising the impact of adverse 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.

### 28.7

Risks and ratings The RBZ conducts 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
-----------	-----------------	---------	---------	-------------

# **Download the CABS mobile** app and enjoy the convenience.





# WE'LL HELP YOU GET THERE

# Half Year Ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018						
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		
Penutation	Moderate	Acceptable	Moderate	Stable		

### Interpretation of the Risk Matrix

### Levels of inherent risk

Overal

Hi Ade

w	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.
oderate	Could reasonably be expected to result in a loss, which could be absorbed by a banking institution in the normal course of business.
igh	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.
equacy of risk man	agement systems
eak	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.
ceptable	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.
rong	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

# Overall composite risk

Overall composite	
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.
Direction of overc	III composite risk
Increasing	Based on the current information, risk is expected to increase in the next twelve months.
-	

and accountabilities are effectively communicated

	based of the content internation, here is expected to intercase in the text internet inter
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.

# NOTES TO THE FINANCIAL STATEMENTS (continued) For the Half Year Ended 30 June 2018

## **Capital Management**

29

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 US\$20 million and capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighted assets. As at 30 June 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 30 June 2018 was as follows:

Capital adequacy	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
Tier 1 capital			
Ordinary class "A" share capital	35.00	35.00	35.00
Retained earnings	109.81	96.43	109.99
Exposures to insiders and connected parties	(16.28)	(16.98)	(17.25)
Less tier 1 allocated to market risk		(0.06)	(0.10)
Less tier 1 allocated for operational risk	(14.14)	(11.19)	(14.14)
Total tier 1 capital	114.39	103.20	113.50
Total tier 2 capital	37.59	35.94	37.69
Tier 3 capital			
Allocation of capital for market risk	-	0.06	0.10
Allocation of capital for operational risk	14.14	11.19	14.14
Total tier 3 capital	14.14	11.25	14.24
Total regulatory capital	166.12	150.39	165.43
Total risk weighted assets	1 009.81	828.75	947.48

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 2018
Long-term	National	A+	Stable	August 2017
Long-term	National	A+	Positive	August 2016

### 31 Branch and agents network

The Society's has 60 branches and 1004 agents. A full list of these including their locations can be viewed at the Society's head office at Northridge Park, Harare or the Society's website www.cabs.co.zw.

### 32 Going concern

30

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

### 33 Subsequent events

vere no significant subsequent events affecting the financial statements for the for the half year ended 30 June 2018

# Own your dream home in Budiriro.

## **Terms and Conditions for CABS Budiriro Houses:**

Minimum qualifying salary \$670,

- A deposit of 10% is required,
- Rent to Buy option over a period of 24 months,
- Interest rate now at 10% per annum,
- Mortgage tenor increased from 20 years to 25 years.

# Sign up today at your nearest CABS Branch!

For more information please contact the Mortgages Department at CABS Head Office on 0242-883822/23 or email: mortgages@cabs.co.zw or visit www.cabs.co.zw

# WE'LL HELP YOU GET THERE

Contact us on +263-0242-883822/23 www.cabs.co.zw

A Member of the Deposit Protection Scheme



