







## Unaudited Financial Results

For the Half Year Ended 30 June 2018

WE'LL HELP YOU GET THERE

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Half Year Ended 30 June 2018

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

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

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 US\$m	New Carrying amount under IFRS 9 US\$m
<b>Assets</b>					
Cash and cash equivalents	7 Loans and receivables	Amortised cost		164.81	164.81
Investment securities	8 Fair value through profit or loss (designated)	Amortised cost		233.53	232.89
Other financial assets	10.1 Amortised cost	Amortised cost		52.40	52.29
Loans and advances	11 Loans and receivables	Amortised cost		668.82	649.90
<b>Total</b>				<b>1 119.56</b>	<b>1 099.89</b>
<b>Liabilities</b>					
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
<b>Total</b>				<b>1 061.21</b>	<b>1 061.21</b>

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 through profit or loss, a fair value loss of US\$1.6million 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 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 US\$m	Reclassification US\$m	Remeasurement US\$m	New Carrying amount under IFRS 9 as at 1 January 2018 US\$m
<b>Financial Assets</b>				
<b>Amortised cost</b>				
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
<b>Total amortised cost</b>	<b>1 119.56</b>	<b>1.88</b>	<b>(21.55)</b>	<b>1 099.89</b>
<b>Financial liabilities</b>				
<b>Amortised cost</b>				
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
<b>Total amortised cost</b>	<b>1 061.21</b>	<b>-</b>	<b>-</b>	<b>1 061.21</b>

##### 9.4 Reconciliation of the impairment allowance on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017 US\$m	Reclassification US\$m	Remeasurement US\$m	New Carrying amount under IFRS 9 as at 1 January 2018 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
<b>Total</b>	<b>21.01</b>	<b>-</b>	<b>21.55</b>	<b>42.56</b>

##### 9.5 Transitional adjustments on equity on the date of initial application of IFRS 9

	Impact of adopting IFRS 9 at 1 January 2018 US\$m
<b>Regulatory reserve</b>	
Closing balance as at 31 December 2017 under IAS 39	17.95
Transfer to retained earnings	(17.95)
Restated closing balance	-
<b>Retained earnings</b>	
Closing balance as at 31 December 2017 under IAS 39	109.99
Net impact of adopting IFRS 9 on 1 January 2018	(1.72)
Transfer from regulatory reserve	17.95
Reclassification and remeasurement of financial instruments	1.88
Recognition of expected credit losses	(21.55)
Restated closing balance	108.27
<b>Total restated closing balance of impacted reserves</b>	<b>108.27</b>

### NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Half Year Ended 30 June 2018

Note	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
<b>10 Other assets</b>	<b>67.40</b>	<b>83.05</b>	<b>110.51</b>
<b>10.1 Comprising: Other financial assets carried at amortised cost</b>			
Equity investments	0.84	0.89	0.89
Sundry debtors and other assets	13.42	23.97	51.51
	<b>14.26</b>	<b>24.86</b>	<b>52.40</b>
<b>10.2 Other non financial assets</b>			
Other assets	5.97	2.01	3.08
Stock on hand	1.04	0.30	0.75
	<b>7.01</b>	<b>2.31</b>	<b>3.83</b>
<b>10.3 Inventory work in progress</b>			
- ZRP housing project	7.39	8.54	7.38
- Budiriro housing project	34.73	47.34	43.72
- Pumula housing project	4.01	-	3.18
	<b>46.13</b>	<b>55.88</b>	<b>54.28</b>
<b>10.3.1 Housing projects - inventory work in progress</b>			
Opening balance	54.28	57.09	57.09
Additions	2.54	0.30	4.32
Cost of sales	(10.69)	(1.51)	(5.98)
Write down	-	-	(1.15)
	<b>46.13</b>	<b>55.88</b>	<b>54.28</b>
Other assets are expected to be recovered in a period of no more than twelve months after the reporting date.			
<b>11 Loans and advances</b>			
Gross amount owing	802.91	615.92	684.40
Less impairment on loans and advances	(38.22)	(21.59)	(15.58)
<b>Loans and advances</b>	<b>764.69</b>	<b>594.33</b>	<b>668.82</b>
<b>Concentration - gross</b>			
Housing	265.31	242.88	199.47
Individuals	172.65	110.53	166.72
Commercial and industrial	364.95	262.51	318.21
	<b>802.91</b>	<b>615.92</b>	<b>684.40</b>
<b>Maturity analysis - gross</b>			
On demand to 3 months	114.48	87.17	100.04
3 months to 1 year	253.84	190.76	205.16
1 year to five years	384.66	291.79	316.76
Over 5 years	49.93	46.20	62.44
	<b>802.91</b>	<b>615.92</b>	<b>684.40</b>
<b>Total non-performing loans</b>			
Past due but not impaired			
30 to 60 days past due	115.61	102.37	79.57
61 to 90 days past due	33.65	32.01	42.45
	<b>149.26</b>	<b>134.38</b>	<b>122.02</b>
<b>Commitment for loans and advances</b>			
	<b>63.10</b>	<b>12.59</b>	<b>29.50</b>
<b>12 Non current assets held for sale</b>			
<b>Opening valuation</b>	<b>1.10</b>	<b>1.41</b>	<b>1.41</b>
Additions	-	0.02	0.21
Disposals	(0.17)	-	(0.25)
Fair value gain/(loss)	0.15	-	(0.27)
<b>Closing valuation</b>	<b>1.08</b>	<b>1.43</b>	<b>1.10</b>

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



# SWIPE & WIN

## \$11 850

### IN PRIZE MONEY TO BE WON

**217** X \$50 winners  
**GRAND PRIZE \$1000**

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.



N. RICHARDS GROUP

Follow the winners on CABS facebook page.

Terms and conditions apply

WE'LL HELP YOU GET THERE

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

**CABS**  
A Member of the OLD MUTUAL Group







Download the CABS mobile app and enjoy the convenience.



# Unaudited Financial Results

For the Half Year Ended 30 June 2018

WE'LL HELP YOU GET THERE

## 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
Reputation	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

### Interpretation of the Risk Matrix

#### Levels of inherent risk

<b>Low</b>	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.
<b>Moderate</b>	Could reasonably be expected to result in a loss, which could be absorbed by a banking institution in the normal course of business.
<b>High</b>	Reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

#### Adequacy of risk management systems

<b>Weak</b>	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.
<b>Acceptable</b>	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.
<b>Strong</b>	Management effectively identifies and controls all types of risk areas posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are in place. The policies comprehensively define the banking institution's risk tolerance. Responsibilities and accountabilities are effectively communicated.

#### Overall composite risk

<b>Low</b>	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.
<b>Moderate</b>	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.
<b>High</b>	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 overall composite risk

<b>Increasing</b>	Based on the current information, risk is expected to increase in the next twelve months.
<b>Decreasing</b>	Based on the current information, risk is expected to decrease in the next twelve months.
<b>Stable</b>	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

### 29 Capital Management

The RBZ sets and monitors capital requirements for the Society through quarterly BSD1 returns. In implementing current capital requirements, the RBZ requires the Society to maintain a minimum capital requirement of 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:

	Unaudited 30 June 2018 US\$m	Unaudited 30 June 2017 US\$m	Audited 31 December 2017 US\$m
<b>Capital adequacy</b>			
<b>Tier 1 capital</b>			
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)
<b>Total tier 1 capital</b>	<b>114.39</b>	<b>103.20</b>	<b>113.50</b>
<b>Total tier 2 capital</b>	<b>37.59</b>	<b>35.94</b>	<b>37.69</b>
<b>Tier 3 capital</b>			
Allocation of capital for market risk	-	0.06	0.10
Allocation of capital for operational risk	14.14	11.19	14.14
<b>Total tier 3 capital</b>	<b>14.14</b>	<b>11.25</b>	<b>14.24</b>
<b>Total regulatory capital</b>	<b>166.12</b>	<b>150.39</b>	<b>165.43</b>
<b>Total risk weighted assets</b>	<b>1 009.81</b>	<b>828.75</b>	<b>947.48</b>
<b>Capital adequacy ratio</b>	<b>16%</b>	<b>18%</b>	<b>17%</b>

### 30 External credit rating

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

Rating class	Rating scale	Ratings	Rating outlook	Expiry date
Long-term	National	A+	Stable	August 2018
Long-term	National	A+	Stable	August 2017
Long-term	National	A+	Positive	August 2016

### 31 Branch and agents network

The Society 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](http://www.cabs.co.zw).

### 32 Going concern

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

There were 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](mailto:mortgages@cabs.co.zw) or visit [www.cabs.co.zw](http://www.cabs.co.zw)



WE'LL HELP YOU GET THERE

Contact us on +263-0242-883822/23 [www.cabs.co.zw](http://www.cabs.co.zw)

A Member of the Deposit Protection Scheme.