
idbz
Infrastructure Development Bank of Zimbabwe

# Unaudited Financial Results For the six months ended 30 June 2016

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2016

**Background**
The country continues to face a difficult operating environment with economic growth forecast being revised downwards from the initial projection of 2.7% to 1.4% in 2016. Major risks to economic growth include El Nino induced drought; low commodity prices; persistent liquidity challenges; infrastructure bottlenecks; weak aggregate demand; low savings and investment; and the unsustainable current account deficit.

Treasury has limited fiscal space to meet budget commitments to prioritized infrastructure projects and this calls for the Group to step up its resource mobilisation initiatives to address the country's huge infrastructure deficit.

**Recent Developments**
In recognition of the Group's central role in resolving the country's infrastructure challenges, the Government has recapitalized the Group to the tune of US$20 million in May 2016, the first step towards achieving the targeted US$ 250 million capitalization by 2018. By 30 June 2016, the Group's total equity increased by 74% year-on-year to US$48.90 million.

It is encouraging to note that Group was officially removed from the United States Office of Foreign Assets Control (OFAC) sanctions listing in February 2016. This development, combined with Zimbabwe's improvement in the Country Policy and Institutional Assessment (CPIA)'s score from 2.2 in 2012 to 2.9 in 2015 (World Bank, 2016) and the necessary institutional reforms the Group has undertaken since the beginning of the year, makes the Board optimistic of the future ahead.

**Milestones achieved**
In pursuit of its mandate, during the period under review, the Group had made significant strides in the following projects:

- Raised funds for the refurbishment of the Kariba South Power Station and the repowering of the Harare power station projects.
- Project implementation started on Clipsham Views housing project in Masvingo and New Marimba housing project in Harare.
- The Bank was appointed by the Government of Zimbabwe to act as the lead transaction advisor on the Beitbridge-Harare-Chirundu road rehabilitation, upgrading and dualisation project.
- During the period under review, the Group also facilitated the liquidation of Treasury Bills worth US$35 million with the proceeds disbursed to the contractor of the Tokwe-Mukorsi dam project.
- To facilitate the preparation and packaging of viable infrastructure projects ahead of funding by private capital and development partners, the Group has established a Project Preparation and Development Fund with seed capital of $2.5 million. This seed capital was financed from the Group's own resources. It is expected that this fund will grow to over U$5 million by 2017.

**Financial performance**
The Group achieved net profit of US$0.17 million during the first six months of 2016, compared to a loss of US$3.98 million for the same period in 2015. The Group's revenue increased in line with the growth in the loan book mainly driven by the long term loans.

**Outlook**
The Group expects its income to be enhanced once the servicing on its housing projects is completed. To enhance its effectiveness in the delivery of its mandate, the Group recently recruited critical staff and consultants in engineering; financial analysis; procurement, architecture and land evaluation. This has been complemented by the revamping of the Group's policies and procedures to ensure that they remain relevant to our operating environment and the needs of the Group.

**Appreciation**
We are indebted to the Government, all our stakeholders, investors and customers for their continued support. We are also grateful to the Board, Management and Staff for their continued outstanding commitment to duty in the face of many difficulties.

Willard L. Manungo
(Chairman of the Board)

Thomas Zondo Sakala
(Chief Executive Officer)

30 August 2016

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2016

| | Note | Unaudited 30 June 2016 US$ | Unaudited 30 June 2015 US$ |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Profit/(loss) for the year | | 169 720 | ( 3 978 929) |
| **Adjustments for:** | | | |
| -Depreciation of property and equipment | 17 | 81 704 | 201 712 |
| -Amortisation of intangible assets | 16 | 2 298 | 95 208 |
| -Loan impairment charge | 11.1 | 516 181 | 620 824 |
| -Net unrealised losses from translation of foreign currency balances | 30 | 2 628 | 1 444 |
| -Profit on disposal of property and equipment | | ( 28 415) | ( 1 061) |
| -Loss/(profit) on disposal of investment property | 29 | 15 000 | ( 2 125) |
| -Unrealised fair value loss on investment property | 15 | - | ( 141 000) |
| -Net loss on financial assets measured at fair value through profit and loss | 7 | 200 | 1 220 |
| -Share of loss of associate | | 29 140 | 110 388 |
| | | 788 456 | ( 3 092 319) |
| **Changes in :** | | | |
| - Loans and advances to customers | | 6 491 986 | 7 491 160 |
| - Trading assets pledged as collateral | | 5 770 414 | 15 900 781 |
| - Other receivables and prepayments | | 1 270 900 | ( 7 345) |
| - Inventories | | ( 946 704) | ( 15 112) |
| - Deposits from customers | | ( 6 788 515) | ( 28 992 405) |
| - Other liabilities | | 317 877 | ( 114 380) |
| **Net cash generated from/(used in) operating activities** | | 6 904 414 | ( 8 829 622) |
| Cash flow from investing activities | | | |
| Acquisition of property and equipment | 17 | ( 181 423) | ( 13 630) |
| Proceeds from sale of property and equipment | | 42 041 | 3 696 |
| Proceeds from sale of investment property | 15 | 69 000 | 115 000 |
| **Net cash (used in)/generated from investing activities** | | ( 70 382) | 105 066 |
| **Cash flow from financing activities** | | | |
| Payment of dividends | | - | ( 499 979) |
| Repayment of foreign lines of credit | | - | ( 8 611 597) |
| Proceeds from issue of bonds | 22 | 12 350 972 | 8 844 000 |
| Repayment of bonds | 22 | ( 4 509 493) | 1 519 210 |
| Increase in local lines of credit | | 3 700 141 | ( 1 615 459) |
| **Net cash generated from financing activities** | | 11 541 620 | 1 664 926 |
| **Net (decrease)/increase in cash and cash equivalents** | | 18 275 652 | (7 059 631) |
| Cash and cash **equivalents** at the beginning of the period | | 17 525 187 | 21 992 245 |
| **Cash and cash equivalents at the end of the period** | 6 | 35 900 837 | 14 932 613 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2016

| | Note | Unaudited 30 June 2016 US$ | Unaudited 30 June 2015 US$ |
|---|---|---|---|
| Interest and related income | 24.1 | 5 773 009 | 4 076 340 |
| Interest and related expense | 24.2 | ( 2 962 588) | ( 2 604 686) |
| Net interest income | | 2 810 421 | 1 471 654 |
| Property sales | 25 | 171 896 | - |
| Cost of sales | 25.1 | ( 156 015) | - |
| Gross profit | | 15 881 | - |
| Fee and commission income | 26 | 399 679 | 737 520 |
| Net losses on financial assets at fair value through profit or loss | 27 | ( 200) | ( 1 220) |
| Dividend income | | 34 014 | 16 003 |
| **Revenue** | | 3 259 795 | 2 223 957 |
| Other income | 28 | 214 636 | 201 393 |
| Loan impairment charge | 11.1 | ( 516 181) | ( 620 824) |
| Fair value (loss)/profit on investment property | 29 | ( 16 000) | 141 000 |
| Net foreign exchange gains | 30 | 199 446 | 31 598 |
| Operating expenses | 31 | ( 2 942 836) | ( 5 845 665) |
| Share of loss of associate | | (29 140) | ( 110 388) |
| **Profit/(loss) for the year** | | 169 720 | (3 978 929) |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income/(loss) for the year** | | 169 720 | ( 3 978 929) |
| Profit/(loss) for the year attributable to: | | | |
| Equity holders of the parent entity | | 169 181 | ( 3 986 742) |
| Non-controlling interest | | 539 | 7 813 |
| | | 169 720 | ( 3 978 931) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the parent entity | | 169 181 | ( 3 986 742) |
| Non-controlling interest | | 539 | 7 813 |
| | | 169 720 | ( 3 978 929) |
| Earnings/(loss) per share attributable to the equity holders of the Bank during the year (expressed in US cents per share) | | | |
| Basic and diluted earnings/(loss) per share From profit or loss for the year attributable to equity holders (US cents) | 34 | 7 | (163) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

| | Note | Unaudited 30 June 2016 US$ | Audited 31 Dec 2015 US$ |
|---|---|---|---|
| ASSETS | | | |
| Cash and bank balances | 6 | 35 900 837 | 17 525 187 |
| Investment securities | 7 | 13 363 | 13 563 |
| Financial assets at fair value through other comprehensive income | 8 | 6 969 069 | 6 969 069 |
| Held-to-maturity investments | 9 | 40 242 276 | 8 217 175 |
| Non-current assets held for sale | 10 | 341 458 | 341 458 |
| Loans and advances to customers | 11 | 63 093 388 | 69 585 374 |
| Trading assets pledged as collateral | 11.2 | 3 103 292 | 8 873 705 |
| Other receivables and prepayments | 12 | 790 886 | 2 061 786 |
| Investment in associates | 13.4 | 1 343 621 | 1 372 760 |
| Inventories | 14 | 3 130 388 | 2 183 684 |
| Investment property | 15 | 10 214 886 | 10 299 887 |
| Intangible assets | 16 | 16 403 | 18 702 |
| Property and equipment | 17 | 3 310 798 | 3 224 706 |
| **Total assets** | | 168 470 665 | 130 687 055 |
| **Equity and liabilities** | | | |
| **Liabilities** | | | |
| Deposits from customers | 21 | 41 819 403 | 48 607 918 |
| Local lines of credit and bonds | 22 | 70 050 201 | 46 629 735 |
| Other liabilities | 23 | 7 698 977 | 7 381 102 |
| **Total liabilities** | | 119 568 581 | 102 618 755 |
| **Equity** | | | |
| Share capital | 18 | 24 490 | 24 490 |
| Share premium | 18 | 9 171 552 | 9 171 552 |
| Amount awaiting allotment | 18 | 20 664 063 | - |
| Non distributable reserve | 19 | ( 22 373 613) | ( 22 373 613) |
| Preference share capital | 20 | 38 283 003 | 38 283 003 |
| Fair value reserve | | 3 016 913 | 3 016 913 |
| Accumulated loss | | ( 362 293) | ( 531 475) |
| **Equity attributable to equity owners of the Group** | | 48 424 115 | 27 590 870 |
| **Non-controlling interest in equity** | | 477 969 | 477 430 |
| **Total shareholders' equity** | | 48 902 084 | 28 068 300 |
| **Total equity and liabilities** | | 168 470 665 | 130 687 055 |

**These financial statements were approved by the Board of Directors and signed on their behalf by:**

Willard L. Manungo
(Chairman of the Board)

Thomas Zondo Sakala
(Chief Executive Officer)

30 August 2016

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# Unaudited Financial Results For the six months ended 30 June 2016

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2016

| | Ordinary share capital US$ | Share premium US$ | Amounts awaiting allotment US$ | Non distributable reserve US$ | Preference share capital US$ | Fair value reserve US$ | (Accumulated Loss)/Retained earnings US$ | Total before non-controlling interest US$ | Non controlling interest US$ | Total equity US$ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Unaudited** | | | | | | | | | | |
| Balance as at 1 January 2016 | 24 490 | 9 171 552 | - | ( 22 373 613) | 38 283 003 | 3 016 913 | ( 531 474) | 27 590 871 | 477 430 | 28 068 301 |
| Profit for the period | - | - | - | - | - | - | 169 181 | 169 181 | 539 | 169 720 |
| **Transactions with owners of the Group:** | | | | | | | | | | |
| Rights issue | - | - | 20 664 063 | - | - | - | - | 20 664 063 | - | 20 664 063 |
| **Balance as at 30 June 2016** | 24 490 | 9 171 552 | 20 664 063 | ( 22 373 613) | 38 283 003 | 3 016 913 | ( 362 293) | 48 424 115 | 477 969 | 48 902 084 |
| **Unaudited** | | | | | | | | | | |
| **Balance as at 1 January 2015** | 24 490 | 9 171 552 | - | ( 22 373 613) | 38 283 003 | 1 960 041 | 4 766 651 | 31 832 124 | 470 799 | 32 302 923 |
| Loss for the period | - | - | - | - | - | - | ( 3 986 742) | ( 3 986 742) | 7 813 | ( 3 978 929) |
| **Balance as at 30 June 2015** | 24 490 | 9 171 552 | - | ( 22 373 613) | 38 283 003 | 1 960 041 | 779 909 | 27 845 382 | 478 612 | 28 323 994 |

## SIGNIFICANT ACCOUNTING POLICIES
FOR THE HALF YEAR ENDED 30 JUNE 2016

### 1 GROUP ACCOUNTING POLICIES

The Infrastructure Development Bank of Zimbabwe ("IDBZ" or the "Bank") is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act (Chapter 24:14). The address of the Bank's registered office is IDBZ House, 99 Rotten Row, Harare, Zimbabwe. IDBZ and its subsidiaries (together the "Group") are primarily involved in mobilising and providing finance for infrastructure development activities and management of infrastructure development projects.

### 2 GROUP ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies of the Group, which have been applied consistently. Kindly refer to our website (www.idbz.co.zw) under Investor relations for a detailed analysis of the significant accounting policies which are consistent with those applied in the Group's 2015 annual report.

### 2.1 BASIS OF PREPARATION

The Group's financial results have been prepared under policies consistent with International Financial Reporting Standards ('IFRS'). The financial results are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, equipment, investment property and certain financial instruments stated at fair value.

The financial results are presented in United States dollars (US$), the Group's functional currency.

**Basis of consolidation**
The Group's consolidated financial results incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The results of subsidiaries acquired or disposed of during the year are incorporated from the dates control was acquired and up to the date control ceased.

The financial results of the subsidiaries are prepared for the same reporting year as the parent Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses, profits and losses resulting from intra-group transactions that are recognised in assets and liabilities and income and expenses are eliminated in full. Non-controlling interests represent the portion of profit and net assets that is not held by the Group and are presented separately in the consolidated Statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

### 2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management made certain judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Kindly refer to our website (www.idbz.co.zw) for a detailed analysis of the significant accounting estimates and judgements, which are consistent with those applied in the Group's 2015 annual report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2016

### 3 RISK MANAGEMENT

### 3.1 Risk Management Policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk, and price risk).

Risk management is a key function of management. The dynamism characterising the financial services sector has increased the importance of risk management. The Group has put in place a risk management framework to identify the type and areas of risk and to measure and assess all risks to enable management to make sound judgements and decisions and thereby limit losses.

The Board of Directors has overall responsibility for setting policies for risk management. The implementation and monitoring of the risk policies is through appropriate risk management structures with delegated authority from the Board. The Risk Management and Compliance Department independently monitors risk throughout the Group according to set risk policies and provides advice and support on compliance matters. The Group manages risk within applicable laws. Each department is responsible for ensuring that its conduct complies with all the applicable laws and regulations.

In addition, the Group Internal Audit Department is responsible for independent review of risk management and control environment; and the Group Legal Department provides advice and support on legal matters. A Risk Management Committee has been set at Board level and it consists of non-executive directors level to ensure importance of the function is emphasized at a higher level.

### 3.2 Credit risk

Credit risk is the possibility of loss arising from the inability of a client or a counter party to meet its commitments to the Group. It is inherent in most banking products and activities. Credit risk management and control within the Group is guided by the Group's credit policy. The credit policy outlines procedures for accurate assessment, proper approval and consistent monitoring of credit risk.

The Group manages credit exposure to any entity through credit limits. A credit limit is set for each customer after assessment of the financial strength of the customer and assessment of other qualitative factors which influence the performance of the customer. The Group has in place a management credit committee that assesses credit proposals and exercise credit approval authority, up to a set limit. Approval of credit at higher levels requires the approval of the Board.

Individual loans are reviewed continuously through monthly reassessment of the credit grading so that problems can be detected and managed at an early stage. Periodic reassessment is also done based on management information received. Impairment allowances are adjusted monthly in line with the reassessed credit grades.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

### 3 RISK MANAGEMENT (CONTINUED)

### 3.2 Credit risk (continued)

**Maximum exposure to credit risk before collateral held or other credit enhancement.**

| | Maximum Exposure 30 June 2016 US$ | Maximum Exposure 31 Dec 2015 US$ |
|---|---|---|
| Credit risk exposure relating to on-balance sheet assets are as follows: | | |
| Cash and cash equivalents | 35 900 837 | 17 525 187 |
| Held-to-maturity investments | 40 242 276 | 8 217 175 |
| Gross loans and advances to customers | 65 866 781 | 72 551 482 |
| Trading assets pledged as collateral | 3 103 292 | 8 873 706 |
| Other receivables and prepayments | 1 619 879 | 2 890 779 |
| | 146 733 065 | 110 058 329 |
| Credit risk exposure relating to off-balance sheet assets are as follows: | | |
| Loan commitments | 2 149 314 | 12 321 329 |
| Financial guarantees | - | - |
| Maximum exposure to credit risk | 148 882 379 | 122 379 658 |

Financial guarantees. Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. There was no potential obligation resulting from these guarantees both as at 30 June 2016 and 31 December 2015 respectively.

The credit risk exposure increased by 21% mainly as a result of the increased held-to-maturity investments.

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and cash equivalents at the reporting date approximates the carrying amount.

Loans and advances (including trading assets pledged as collateral) are summarised as follows:

| | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Neither past due nor impaired | 59 764 345 | 76 998 392 |
| Past due but not impaired | 119 289 | 105 575 |
| Individually impaired | 9 086 439 | 4 321 220 |
| **Gross** | 68 970 073 | 81 425 187 |
| Less: allowance for impairment | ( 2 773 393) | ( 2 966 108) |
| **Net** | 66 196 680 | 78 459 079 |

### 3.3 Liquidity risk

Liquidity risk is the possibility that the Group may fail to cover its financial obligations as they fall due. The risk arises as a result of mismatches between the maturities of assets and liabilities.

Management manages liquidity risk through cash flow and maturity mismatch management. They meet regularly to set and review the Group's strategies. The treasury department has the responsibility to implement and maintain a liquidity management strategy to ensure that the Group has sufficient liquidity to meet its daily liquidity obligations. The Group has developed a comprehensive contingency liquidity plan to ensure that the Group does not get affected in case of a major market upset.

The Group uses the following strategies in its liquidity risk management:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Diversification of liabilities to achieve a stable funding base and avoid excessive reliance on any one counter party;

- Maturity mismatch limits for its cumulative funding positions; and
- Access to inter-bank markets.

**Contract maturity analysis**
Sources of liquidity are regularly reviewed by a separate team in Treasury function to maintain a wide diversification by provider, product and term.

| AS AT 30 JUNE 2016 | Up to 1 month US$ | 1 to 3 months US$ | 3 to 9 months US$ | 9 to 12 months US$ | over 12 months US$ | Total US$ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 35 900 837 | - | - | - | - | 35 900 837 |
| Investment securities | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 6 969 069 | 6 969 069 |
| Non-current assets held for sale | - | - | - | 341 458 | - | 341 458 |
| Loans and advances to customers | 12 906 224 | 1 837 846 | - | 11 985 | 48 337 332 | 63 093 387 |
| Trading assets pledged as collateral | - | 3 103 292 | - | - | - | 3 103 292 |
| Other receivables and prepayments | - | 790 886 | - | - | - | 790 886 |
| **Total** | 48 807 061 | 5 732 024 | - | 353 443 | 55 306 401 | 110 198 929 |
| Liabilities | | | | | | |
| Deposits from customers | 34 865 893 | 6 901 511 | 52 000 | - | - | 41 819 403 |
| Local lines of credit | 21 036 404 | - | 5 401 387 | 5 401 387 | 38 211 023 | 70 050 201 |
| Other liabilities | 7 698 978 | - | - | - | - | 7 698 978 |
| **Total** | 63 601 276 | 6 901 511 | 5 453 387 | 5 401 387 | 38 211 023 | 119 568 583 |
| **Gap** | (14 794 216) | (1 169 487) | (5 453 387) | (5 047 944) | 17 095 378 | (10 160 540) |
| **Contingent liabilities:** | | | | | | |
| Loan commitments | 2 149 314 | - | - | - | - | 2 149 314 |
| **Total gap** | (16 943 528) | (1 169 487) | (5 453 387) | (5 047 944) | 17 095 378 | (11 518 969) |
| **Total cumulative gap** | (16 943 528) | (18 113 016) | (23 566 403) | (28 614 347) | (11 518 969) | - |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE HALF YEAR ENDED 30 JUNE 2016

### 3 RISK MANAGEMENT (continued)

### 3.3 Liquidity risk (continued)

| AS AT 31 DECEMBER 2015 | Up to 1 month US$ | 1 to 3 months US$ | 3 to 9 months US$ | 9 to 12 months US$ | over 12 months US$ | Total US$ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 17 525 187 | - | - | - | - | 17 525 187 |
| Investment securities | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 6 969 069 | 6 969 069 |
| Non-current assets held for sale | - | - | - | 341 458 | - | 341 458 |
| Loans and advances to customers | 8 225 586 | 1 109 657 | - | 275 480 | 59 974 651 | 69 585 374 |
| Trading assets pledged as collateral | - | 8 873 706 | - | - | - | 8 873 706 |
| Other receivables and prepayments | - | 2 061 786 | - | - | - | 2 061 786 |
| **Total** | 25 750 772 | 12 045 149 | - | 616 938 | 66 943 720 | 105 356 579 |
| **Liabilities** | | | | | | |
| Deposits from customers | 33 884 119 | 5 375 976 | 9 347 822 | - | - | 48 607 918 |
| Local lines of credit | 5 457 416 | - | 5 401 387 | 5 401 387 | 30 369 545 | 46 629 735 |
| Other liabilities | 7 381 101 | - | - | - | - | 7 381 101 |
| **Total** | 46 722 637 | 5 375 976 | 14 749 210 | 5 401 387 | 30 369 545 | 102 618 755 |
| **Gap** | (20 971 865) | 6 669 173 | (14 749 210) | (4 784 450) | 36 574 175 | 2 737 824 |
| **Contingent liabilities:** | | | | | | |
| Loan commitments | 12 321 329 | - | - | - | - | 12 321 329 |
| **Total gap** | (33 293 194) | 6 669 173 | (14 749 210) | ( 4 784 450) | 36 574 175 | ( 11 645 291) |
| **Total cumulative gap** | (33 293 194) | (26 624 022) | (41 373 231) | (46 157 681) | (9 583 506) | 9 583 506 |

### 3.4 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. Market risk is the possibility of loss in the realizable value of assets or increase in the value of liabilities arising from adverse movements in interest rates, foreign exchange rates and share prices.

Interest rate risk arises due to assets and liabilities maturing at different times and thereby necessitating the rollover and re-pricing of liabilities of reinvestment and re-pricing of assets.

The Group uses the following to measure interest rate risk:

- Gap analysis;
- Duration analysis to estimate the loss in market value of the asset portfolio if interest rates move; and
- Rate sensitivity analysis involving calculation of ratios of rate sensitive assets to rate sensitive liabilities, and net rate sensitive assets/liabilities to equity and total assets.

Exchange rate risk arises from foreign currency open positions. The Group manages the risk through limits on the total exposure and through dealer limits.

### 3.4.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly by Management Asset Liability Committee ("MALCO").

The Group manages interest rate risk through Management Asset and Liability Committee and the strategies used include:
(a) Loan pricing, promotion and product structure;
(b) Deposit pricing, promotion and product structure;
(c) Use of alternative funding sources, including off-balance sheet alternatives to the extent such activity is authorised by the Board; and
(d) Security purchases and sales.

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate repricing gap analysis

| AS AT 30 JUNE 2016 | Up to 1 month US$ | 1 to 3 months US$ | 3 to 9 months US$ | 9 to 12 months US$ | over 12 months US$ | Non interest bearing US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 35 900 837 | - | - | - | - | - | 35 900 837 |
| Investment securities | - | - | - | - | - | 13 363 | 13 363 |
| Loans and advances to customers | 12 906 224 | 1 837 846 | - | 11 985 | 48 337 332 | - | 63 093 388 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | 6 969 069 | 6 969 069 |
| Held-to-maturity investments | - | - | - | - | 40 242 276 | - | 40 242 276 |
| Non-current assets held for sale | - | - | - | - | - | 341 458 | 341 458 |
| Trading assets pledged as collateral | - | 3 103 292 | - | - | - | - | 3 103 292 |
| Other receivables and prepayments | - | - | - | - | - | 790 886 | 790 886 |
| Investment in associate | - | - | - | - | - | 1 343 621 | 1 343 621 |
| **Total assets** | 48 807 061 | 4 941 138 | - | 11 985 | 88 579 608 | 9 458 396 | 151 798 188 |
| **Equity and liabilities** | | | | | | | |
| Deposits from customers | 34 865 893 | 6 901 511 | 52 000 | - | - | - | 41 819 403 |
| Local lines of credit and bonds | 21 036 404 | - | 5 401 387 | 5 401 387 | 38 211 023 | - | 70 050 202 |
| Other liabilities | - | - | - | - | - | 7 698 978 | 7 698 978 |
| Shareholders' equity | - | - | - | - | - | 48 902 081 | 48 902 081 |
| **Total equity and liabilities** | 55 902 297 | 6 901 511 | 5 453 387 | 5 401 387 | 38 211 023 | 56 601 059 | 168 470 663 |
| **Total interest repricing gap** | (7 095 236) | (1960 373) | (5 453 387) | (5 389 402) | 50 368 584 | (47 142 663) | (16 672 475) |
| **Total cumulative gap** | (7 095 236) | (9 055 608) | (14 508 996) | (19 898 398) | 30 470 187 | (16 672 476) | (33 344 951) |

### 3 RISK MANAGEMENT (continued)

### 3.4 Market risk (continued)

### 3.4.1 Interest rate risk (continued)

| AS AT 31 DECEMBER 2015 | Up to 1 month US$ | 1 to 3 months US$ | 3 to 9 months US$ | 9 to 12 months US$ | over 12 months US$ | Non interest bearing US$ | Total US$ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | 17 525 187 | - | - | - | - | - | 17 525 187 |
| Investment securities | - | - | - | - | - | 13 563 | 13 563 |
| Loans and advances to customers | 8 225 586 | 1 109 657 | - | 275 480 | 59 974 651 | - | 69 585 374 |
| Financial assets at fair value through other comprehensive income | - | - | - | - | - | 6 969 069 | 6 969 069 |
| Held-to-maturity investments | - | - | - | - | 8 217 175 | - | 8 217 175 |
| Non-current assets held for sale | - | - | - | - | - | 341 458 | 341 458 |
| Trading assets pledged as collateral | - | 8 873 706 | - | - | - | - | 8 873 706 |
| Other receivables and prepayments | - | - | - | - | - | 2 061 786 | 2 061 786 |
| Investment in associate | - | - | - | - | - | 1 372 760 | 1 372 760 |
| **Total assets** | 25 750 773 | 9 983 363 | - | 275 480 | 68 191 826 | 10 758 636 | 114 960 078 |
| **Equity and liabilities** | | | | | | | |
| Deposits from customers | 33 884 119 | 5 375 976 | 9 347 822 | - | - | - | 48 607 917 |
| Local lines of credit and bonds | 5 457 416 | - | 5 401 387 | 5 401 387 | 30 369 545 | - | 46 629 736 |
| Other liabilities | - | - | - | - | - | 7 381 101 | 7 381 101 |
| Shareholders' equity | - | - | - | - | - | 27 984 955 | 27 984 955 |
| **Total equity and liabilities** | 39 341 535 | 5 375 976 | 14 749 210 | 5 401 387 | 30 369 545 | 35 366 056 | 130 603 708 |
| **Total interest repricing gap** | (13 590 762) | 4 607 386 | (14 749 210) | (5 125 907) | 37 822 280 | (24 607 420) | (15 643 632) |
| **Total cumulative gap** | (13 590 762) | (8 983 376) | (23 732 586) | (28 858 493) | 8 963 787 | (15 643 632) | (31 287 264) |

### 3.4.2 Interest risk sensitivity analysis

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, and the impact on the Group's statement of comprehensive income. The rates used for the sensitivity are approved by the MALCO.

| Interest rate change | Effect on profit for the period 30 June 2016 US$ | Effect on profit for the period 30 June 2015 US$ |
|---|---|---|
| 5% increase / (decrease) | 288 650 | 203 817 |
| 10% increase / (decrease) | 577 301 | 407 634 |

### 3.4.2. Foreign exchange risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December.

Concentration of currency risk on off-balance sheet financial instruments as at 31 December was as follows:

| AS AT 30 JUNE 2016 | US$ | ZAR US$ equivalent | BWP US$ equivalent | GBP US$ equivalent | Euro US$ equivalent | Other US$ equivalent | Total US$ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Balances with banks and cash | 35 805 121 | 68 546 | 143 | 24 536 | 2 490 | - | 35 900 837 |
| Investment securities | 13 363 | - | - | - | - | - | 13 363 |
| Loans and advances to customers | 63 093 388 | - | - | - | - | - | 63 093 388 |
| Financial assets at fair value through other comprehensive income | 6 969 069 | - | - | - | - | - | 6 969 069 |
| Trading assets pledged as collateral | 3 103 292 | - | - | - | - | - | 3 103 292 |
| Other receivables and prepayments | 790 886 | - | - | - | - | - | 790 886 |
| | 109 775 119 | 68 546 | 143 | 24 536 | 2 490 | - | 109 870 835 |
| **Equity and liabilities** | | | | | | | |
| Deposits from customers | 41 735 701 | 57 397 | - | 25 779 | 526 | - | 41 819 403 |
| Local lines of credit and bonds | 70 050 201 | - | - | - | - | - | 70 050 201 |
| Other liabilities | 7 698 978 | - | - | - | - | - | 7 698 978 |
| | 119 484 880 | 57 397 | - | 25 779 | 526 | - | 119 568 582 |
| Net foreign exchange position | ( 9 709 761) | 11 149 | 143 | ( 1 242) | 1 964 | - | ( 9 697 747) |

| As at 31 December 2015 | US$ | ZAR US$ equivalent | BWP US$ equivalent | GBP US$ equivalent | Euro US$ equivalent | Other US$ equivalent | Total US$ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Balances with banks and cash | 17 456 417 | 39 814 | 199 | 27 659 | 1 097 | - | 17 525 187 |
| Investment securities | 13 563 | - | - | - | - | - | 13 563 |
| Loans and advances to customers | 69 585 374 | - | - | - | - | - | 69 585 374 |
| Financial assets at fair value through other comprehensive income | 6 969 069 | - | - | - | - | - | 6 969 069 |
| Trading assets pledged as collateral | 8 873 706 | - | - | - | - | - | 8 873 706 |
| Other receivables and prepayments | 2 061 786 | - | - | - | - | - | 2 061 786 |
| | 104 959 915 | 39 814 | 199 | 27 659 | 1 097 | - | 105 028 685 |
| **Equity and liabilities** | | | | | | | |
| Deposits from customers | 48 521 888 | 59 323 | - | 26 125 | 582 | - | 48 607 918 |
| Foreign lines of credit | 135 | - | - | - | - | - | 135 |
| Local lines of credit and bonds | 46 629 735 | - | - | - | - | - | 46 629 735 |
| Other liabilities | 7 381 101 | - | - | - | - | - | 7 381 101 |
| | 102 532 859 | 59 323 | - | 26 125 | 582 | - | 102 618 889 |
| Net foreign exchange position | 2 427 056 | ( 19 509) | 199 | 1 534 | 515 | - | 2 409 796 |

The Group had no off balance sheet foreign currency exposure as at 30 June 2016 (31 December 2015 - US$nil).

**Foreign exchange risk**

The table below indicates the extent to which the Group is exposed to foreign exchange risk as at 30 June 2016.

| Exchange rate change | Effect on profit for the year 30 June 2016 US$ | Effect on profit for the year 30 June 2015 US$ |
|---|---|---|
| 5% appreciation/(depreciation) | ( 557) | ( 7) |
| 10% appreciation/(depreciation) | ( 1 115) | ( 14) |

### 3.4.2. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's quoted equity securities are publicly traded on the Zimbabwe Stock Exchange.

Below is a summary of the impact of increases/(decreases) of the equity index on the Group`s profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/(decreased) by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Profit for the year would increase or decrease by US$ 668 (2015: US$678).




# Unaudited Financial Results For the six months ended 30 June 2016

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 30 JUNE 2016

### 4 CAPITAL MANAGEMENT

The Group's objective when managing capital are :
-To safe guard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, and
-To maintain a strong capital base to support the development of its business

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee ("MALCO") sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals. The Group Risk Department monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through MALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's capital is monitored using the dollar amount of the net shareholders' equity position, noting and explaining the causes of significant changes.

### 5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

**5.1.1 Fair value estimation**
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2016.

| At 30 June 2016 | Level 1 US$ | Level 2 US$ | Level 3 US$ |
|---|---|---|---|
| Investment securities | 13 363 | - | - |
| Financial assets at fair value through other comprehensive income | - | - | 6 969 069 |
| Total assets | 13 363 | - | 6 969 069 |
| **Total liabilities** | - | - | - |
| **At 31 December 2015** | | | |
| Investment securities | 13 563 | - | - |
| Financial assets at fair value through other comprehensive income | - | - | 6 969 069 |
| **Total assets** | 13 563 | - | 6 969 069 |
| **Total liabilities** | - | - | - |

5.1.2 Financial instruments not measured at fair value
The table below summarises the carrying amounts of those financial assets and liabilities presented in the Group's statement of financial position. The fair value of the financial instruments approximates carrying amount.

| | value 30 June 2016 US$ | Carrying Fair value 30 June 2016 US$ | value 31 Dec 2015 US$ | Carrying Fair value 31 Dec 2015 US$ |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Held-to-maturity investments | 40 242 276 | 40 242 276 | 8 217 175 | 8 217 175 |
| Loans and advances to customers | 63 093 388 | 63 093 388 | 69 585 374 | 69 585 374 |
| Trading assets pledged as collateral | 3 103 292 | 3 103 292 | 8 873 706 | 8 873 706 |
| **Financial liabilities:** | | | | |
| Deposits from customers | 41 819 403 | 41 819 403 | 48 607 918 | 48 607 918 |
| Local lines of credit | 70 050 201 | 70 050 201 | 46 629 735 | 46 629 735 |

It is assessed that the carrying amounts approximates their fair values.

(a) *Loans and advances to customers*
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As the loans and advances are issued at variable rates, the carrying amount approximates fair value.

(b) *Deposits from customers*
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. All deposits are in this category therefore the carrying amount approximates fair value.

**5.1.3 Risk limit control and mitigation policies**
The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

**a) Collateral**
The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and trade receivables.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

**b) Credit-related commitments**
The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amounts of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

### 5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES (continued)

**5.2 Impairment policy**
Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

**5.2.1 Impairment policy**
The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39 Financial Instruments: Recognition and Measurement, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgements and statistical techniques.

| 6 CASH AND BANK BALANCES | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Cash on hand | 119 130 | 406 319 |
| Balances with banks | 35 781 707 | 17 118 868 |
| | 35 900 837 | 17 525 187 |
| Current | 35 900 837 | 17 525 187 |

| 7 INVESTMENT SECURITIES | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Listed investments | 13 363 | 13 563 |

Changes in fair value of investment securities are presented as non-cash adjustments to cash flows from operating activities in the statement of cash flows. Changes in fair values of investment securities are recorded in statement of profit or loss and other comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market, the Zimbabwe Stock Exchange ("ZSE").

| 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Unlisted securities: | | |
| Equity securities - Botswana | 6 969 069 | 6 969 069 |
| | 6 969 069 | 6 969 069 |

The fair values of unlisted securities are determined annually by professional valuations carried out by independent valuers .

| 9 HELD-TO MATURITY INVESTMENTS | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Treasury bills | 39 855 967 | 8 148 586 |
| Accrued interest | 386 308 | 68 589 |
| | 40 242 275 | 8 217 175 |

During the period ended 30 June 2016 the Group received treasury bills worth $18.7million from the Government of Zimbabwe following a rights issue. The Group also received $4.9million from Zimbabwe Asset Management Company for non performing loans handed over while $6.9m was purchased by the Group for proprietary position.

It is the Group's intention to hold these treasury bills to maturity and use these financial assets as collateral in raising money market deposits.

| 10 NON-CURRENT ASSETS HELD FOR SALE | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Equity securities - Zimbabwe | 341 458 | 341 458 |

The Group remains committed to a plan to dispose its investment in Chengetedzai Depository Company Limited at a fair value of $341 458 . The Group is currently actively marketing the sale of its shareholding in the investee company, with other co- shareholders having been already engaged to take up the Group's shareholding as per the shareholders' agreement of the investee company.

| 11 LOANS AND ADVANCES TO CUSTOMERS | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Individual | | |
| - term loans | 2 219 545 | 1 784 200 |
| Corporate | | |
| - corporate customers | 63 647 236 | 70 767 282 |
| Gross loans and advances to customers | 65 866 781 | 72 551 482 |
| Less: allowance for impairment (note 11.1) | ( 2 773 393) | ( 2 966 108) |
| **Net loans and advances to customers** | 63 093 388 | 69 585 374 |
| Current | 14 756 055 | 9 610 723 |
| Non-current | 48 337 333 | 59 974 651 |
| | 63 093 388 | 69 585 374 |

**11.1 Allowances for impairment of loans and advances**

| | | |
|---|---|---|
| Specific allowances for impairment | | |
| Balance at 1 January | 2 966 108 | 8 420 536 |
| Allowance for loan impairment through statement of profit or loss | 516 181 | 720 613 |
| Loans written off | ( 708 896) | ( 6 175 041) |
| Balance at 31 December | 2 773 393 | 2 966 108 |

**11.1.1 Maturity analysis of loans and advances to customers**

| | | |
|---|---|---|
| Up to one month | 12 906 224 | 8 225 586 |
| Up to three months | 1 837 846 | 1 109 657 |
| Up to one year | 11 985 | 275 480 |
| Up to 3 years | - | 12 613 912 |
| Up to 5 years | 41 109 526 | 40 592 266 |
| Later than 5 years | 7 227 807 | 6 768 473 |
| | 63 093 388 | 69 585 374 |

**Impaired loans and securities**
Impaired loans and securities are loans and advances for which the Group has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan or securities agreements.

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




## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
### FOR THE HALF YEAR ENDED 30 JUNE 2016 11 LOANS AND ADVANCES TO CUSTOMERS

11.1 Allowances for impairment of loans and advances (continued)

11.1.1 Maturity analysis of loans and advances to customers (continued)

**Loans with renegotiated terms**
Loans with renegotiated terms are loans that have been restructured due to deterioration of the borrower's financial position and where the Group has made concessions that it would not ordinarily otherwise consider. Once the loan is restructured it remains in this category.

**Allowances for impairment**
The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the group of homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

**Write-off policy**
The Group writes off a loan or security balance (and any related allowances for impairment) when the Group's Credit and Operations Unit determines that the loans/securities are uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

| 11.1.2 Sectorial analysis of loans and advances to customers | Percentage (%) | 30 June 2016 US$ | Percentage (%) | 31 Dec 2015 US$ |
|---|---|---|---|---|
| Manufacturing | 2% | 1 458 970 | 24% | 17 605 744 |
| Retail | 0% | 148 642 | 0% | 206 620 |
| Mining | 0% | 140 931 | 0% | 127 584 |
| Tourism and hospitality | 6% | 3 967 822 | 5% | 3 450 767 |
| Telecommunications | 2% | 1 400 000 | 1% | 800 000 |
| Energy | 63% | 41 573 710 | 61% | 44 411 231 |
| Individuals and other services | 26% | 17 176 706 | 8% | 5 949 536 |
| Gross value of loans and advances | 100% | 65 866 781 | 100% | 72 551 482 |
| Less allowance for impairment | | ( 2 773 393) | | ( 2 966 108) |
| | | 63 093 388 | | 69 585 374 |

11.2 Trading assets pledged as collateral
The nature and carrying amounts of the assets pledged as collateral are as follows:

| | Asset | | Related liability | |
|---|---|---|---|---|
| | 30 June 2016 US$ | 31 Dec 2015 US$ | 30 June 2016 US$ | 31 Dec 2015 US$ |
| Held to maturity Investments | - | 8 146 594 | - | 7 625 796 |
| Bankers Acceptance | 1 023 292 | 207 111 | 732 078 | 134 082 |
| Government guarantees | - | - | - | - |
| Bonds | 2 080 000 | 520 000 | 427 542 | 336 643 |
| Total | 3 103 292 | 8 873 705 | 1 159 620 | 8 096 521 |

Trading assets pledged as collateral are financial assets purchased or acquired which are subsequently pledged as collateral for fixed deposits and bankers acceptances from other financial institutions.

All collateral agreements mature within 12 months.

| 12 OTHER RECEIVABLES AND PREPAYMENTS | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Receivables | 1 278 574 | 2 682 604 |
| Less: allowance for impairment | ( 828 993) | ( 828 993) |
| **Net receivables** | 449 581 | 1 853 611 |
| Pre-payments | 341 305 | 208 175 |
| | 790 886 | 2 061 786 |
| Current | 790 886 | 2 061 786 |

13 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

13.1 Investment in subsidiaries
Details of the Group's subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal activity | Place of incorporation and operation | 30 June 2016 US$ | % | 31 Dec 2015 US$ | % |
|---|---|---|---|---|---|---|
| Waneka Properties (Pvt) Ltd | Property development | Zimbabwe | 283 218 | 70 | 283 218 | 70 |
| Manellie Investments (Pvt) Ltd | Agriculture | Zimbabwe | 249 540 | 100 | 249 540 | 100 |
| Norton Medical Investments (Pvt) Ltd | Medical services | Zimbabwe | 498 605 | 60 | 498 605 | 60 |
| | | | 1 031 363 | | 1 031 363 | |

All subsidiaries have been consolidated in these financial statements.

13.2 Investment in associates
Details of the Group's material investment in associates at the end of the reporting period is as follows:

| Name of associate | Principal activity | Place of incorporation and operation | 30 June 2016 US$ Carrying Amount | % | 31 Dec 2015 US$ Carrying Amount | % |
|---|---|---|---|---|---|---|
| Africom Continental (Private) Limited | Information Communication Technology | Zimbabwe | 1 311 940 | 33.31% | 1 341 079 | 33.31% |
| Aggregate information of associates that are not individually material | | Zimbabwe | 31 681 | | 31 681 | |
| | | | 1 343 621 | | 1 372 760 | |

The above associate is accounted for using the equity method in these consolidated financial statements.

| 14 INVENTORIES | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Inventory - housing units | 130 013 | 286 028 |
| Inventory - land | 1 367 400 | 1 367 400 |
| Work in progress | 1 601 912 | 486 375 |
| Consumables and materials | 31 063 | 43 881 |
| | 3 130 388 | 2 183 684 |
| Current | 3 130 388 | 2 183 684 |

During the period under review, the Group made total disbursements of $1.1million to the New Marimba and Clipsham Views Housing Projects that are currently underway.

| 15 INVESTMENT PROPERTY | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Balance as at 1 January | 10 299 886 | 11 942 500 |
| Additions during the year | - | 315 655 |
| Disposals during the year | ( 69 000) | ( 116 000) |
| Net (loss)/gain from fair value adjustment : (loss)/ profit on disposal | ( 16 000) | 1 000 |
| Net loss from fair value adjustment : unrealised fair value loss | - | ( 1 843 268) |
| Balance as at the end of the period | 10 214 886 | 10 299 887 |

| Included in the consolidated statement of profit or loss and other comprehensive income are the following amounts which relate to investment properties held by the Group. | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| Rental income | 183 375 | 182 002 |

15 INVESTMENT PROPERTY (continued)

Investment property includes a number of commercial and residential properties that are leased to third parties. On average the leases contain a cancellable period of up to one year. Subsequent renewals are negotiated with the lessee. The carrying amount of the investment property is at fair value as determined by an independent valuation except for a property encumbered from Apex Investments/Gulliver Consolidated Limited in settlement of a debt from prior years which is carried at a cost of US$1.2m. The Group is in the process of securing title to the Apex Investments property and this is expected to be completed in the third quarter of 2016.

The Group's other investment properties were revalued at 31 December 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

| 16 INTANGIBLE ASSETS | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| *Carrying amounts of:* | | |
| Capitalised development | - | - |
| Licenses | 16 403 | 16 403 |
| | 16 403 | 16 403 |

| Cost | Capitalised development US$ | Licenses US$ | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|---|---|
| Balance as at beginning of period | 932 484 | 123 394 | 1 055 878 | 1 055 878 |
| Additions | - | - | - | - |
| Balance as at the end of the reporting period | 932 484 | 123 394 | 1 055 878 | 1 055 878 |
| Accumulated amortisation and impairment | | | | |
| Balance as at beginning of period | ( 932 484) | ( 104 693) | ( 1 037 177) | ( 846 761) |
| Amortisation expense | - | ( 2 298) | ( 2 298) | ( 190 417) |
| Balance as at the end of the period | ( 932 484) | ( 106 991) | ( 1 039 475) | ( 1 037 178) |

Intangible assets are carried at cost less accumulated amortisation charge. The intangible assets, which comprise computer software are amortised over a useful life of 4 years.

17 PROPERTY AND EQUIPMENT

| | Land and buildings US$ | Computer and office equipment US$ | Motor vehicles US$ | Fixtures and fittings US$ | Capital work in progress US$ | Total US$ |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Opening net book amount | 1 710 697 | 116 761 | 300 789 | 11 067 | 1 400 000 | 3 539 315 |
| Additions | - | 24 010 | - | 13 219 | - | 37 229 |
| Disposals | - | - | ( 94 833) | - | - | ( 94 833) |
| Depreciation charge | ( 36 146) | ( 61 850) | ( 139 822) | ( 19 169) | - | ( 256 988) |
| **Net book amount** | 1 674 551 | 78 921 | 66 134 | 5 118 | 1 400 000 | 3 224 723 |
| **At 31 December 2015** | | | | | | |
| Cost | 2 000 000 | 993 258 | 766 137 | 534 665 | 1 400 000 | 5 694 060 |
| Accumulated depreciation | ( 325 449) | ( 914 336) | ( 700 021) | ( 529 548) | - | ( 2 469 354) |
| **Net book amount** | 1 674 551 | 78 922 | 66 116 | 5 117 | 1 400 000 | 3 224 706 |
| **Half year ended 30 June 2016** | | | | | | |
| Opening net book amount | 1 674 551 | 78 922 | 66 116 | 5 117 | 1 400 000 | 3 224 706 |
| Additions | 118 305 | 61 921 | - | 1 197 | - | 181 423 |
| Disposals | - | - | ( 13 626) | - | - | ( 13 626) |
| Depreciation charge | ( 19 318) | ( 26 993) | ( 30 975) | ( 4 418) | - | ( 81 704) |
| **Net book amount** | 1 773 538 | 113 850 | 21 514 | 1 897 | 1 400 000 | 3 310 798 |
| **At 30 June 2016** | | | | | | |
| Cost | 2 118 305 | 1 044 899 | 618 375 | 535 861 | 1 400 000 | 5 717 441 |
| Accumulated depreciation | ( 344 767) | ( 931 049) | ( 596 861) | ( 533 966) | - | ( 2 406 642) |
| **Net book amount** | 1 773 538 | 113 850 | 21 514 | 1 896 | 1 400 000 | 3 310 798 |

Property and equipment are subjected to impairment testing by comparing the carrying amounts at the reporting date, with the market prices quoted for similar assets and adjusted for different ages. No items of property and equipment were considered impaired at the statement of financial position date.

Depreciation expense for the half year of US$ 81 704 (2015 half year: US$ 201 712) has been charged to operating expenses (note 30).

18 SHARE CAPITAL AND SHARE PREMIUM

**Authorised share capital**
15 000 000 ordinary shares with a nominal value of US$0,01.

The directors are authorised to issue an unlimited number of preference shares as approved by shareholders.

**Issued share capital**

| | Number of shares | Share capital US$ | Share premium US$ | Amount awaiting allotment US$ | Total US$ |
|---|---|---|---|---|---|
| **At 1 January 2015** | 2 449 046 | 24 490 | 9 171 552 | - | 9 196 042 |
| Issue of shares | - | - | - | - | - |
| At 31 December 2015 | 2 449 046 | 24 490 | 9 171 552 | - | 9 196 042 |
| **At 1 January 2016** | 2 449 046 | 24 490 | 9 171 552 | - | 9 196 042 |
| Issue of shares | - | - | - | 20 664 063 | 20 664 063 |
| **At 30 June 2016** | 2 449 046 | 24 490 | 9 171 552 | 20 664 063 | 29 860 105 |

The Group raised capital through a rights issue during the period which now awaits allotment. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

19 NON-DISTRIBUTABLE RESERVE

The reserve arose from the net effect of restatement of assets and liabilities previously denominated in the Zimbabwe dollar to the United States dollars following the introduction of the multi-currency regime in the Zimbabwean economy on 1 January 2009. The reserve is negative because at the time of conversion, the Group's liabilities, fairly valued, exceeded that of its assets.

20 PREFERENCE SHARE CAPITAL

The preference share capital arose from the issuance of preference shares equivalent to the legacy debt amounting to $38.3 million as at 30 November 2014 to Government of Zimbabwe pursuant to the legacy debt assumption by Zimbabwe Asset Management Corporation (Private) Limited on behalf of Government. The preference shares are non-cumulative, non-redeemable, paid up and carry a 5% dividend payable out of distributable profits.

The preference shares have a nominal value of US$100.00 per share

| **Issued preference share capital** | Number of shares | Preference Share capital US$ | Total US$ |
|---|---|---|---|
| At 1 January 2015 | - | - | - |
| Issue of shares | 382 830 | 38 283 003 | 38 283 003 |
| At 31 December 2015 | 382 830 | 38 283 003 | 38 283 003 |
| **At 1 January 2016** | 382 830 | 38 283 003 | 38 283 003 |
| Issue of shares | - | - | - |
| **At 30 June 2016** | 382 830 | 38 283 003 | 38 283 003 |

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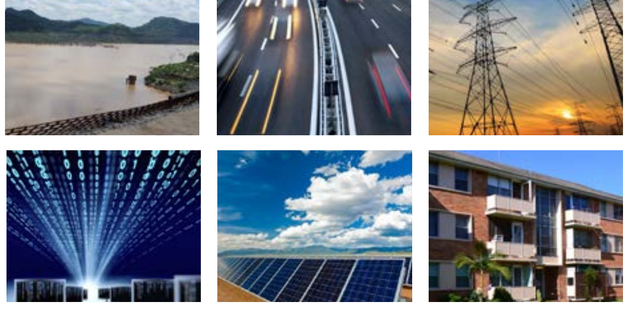

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Infrastructure Development Bank of Zimbabwe

# Unaudited Financial Results For the six months ended 30 June 2016

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 30 JUNE 2016

### 21 LOCAL LINES OF CREDIT AND BONDS

| | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Bonds | 49 013 797 | 41 172 318 |
| Lines of credit | 21 036 404 | 5 457 417 |
| Total | 70 050 201 | 46 629 735 |
| Current | 31 839 178 | 16 260 190 |
| Non current | 38 211 023 | 30 369 545 |
| | 70 050 201 | 46 629 735 |

The movement in the balances during the period was as follows;

| | Bonds 30 June 2016 US$ | Lines of credit 30 June 2016 US$ | Bonds 31 Dec 2015 US$ | Lines of credit 31 Dec 2015 US$ |
|---|---|---|---|---|
| At 1 January | 41 172 318 | 5 457 416 | 24 000 581 | 1 993 565 |
| New issues | 12 350 972 | 15 578 989 | 38 140 299 | 3 463 851 |
| Repayments | ( 4 509 493) | - | ( 20 968 561) | - |
| **At the end of the period** | 49 013 797 | 21 036 404 | 41 172 319 | 5 457 416 |

### 22 DEPOSITS FROM CUSTOMERS

| | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Deposits from customers are primarily comprised of amounts payable on demand and term deposits. | | |
| Large corporate customers | 41 579 175 | 44 661 855 |
| Retail customers | 240 228 | 3 946 063 |
| | 41 819 403 | 48 607 918 |

**22.1 Maturity analysis of deposits from customers**

| | | |
|---|---|---|
| Up to one month | 34 865 893 | 33 884 119 |
| Up to three months | 6 901 510 | 5 375 976 |
| Up to six months | 52 000 | 9 347 823 |
| | 41 819 403 | 48 607 918 |

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. The fair value of the deposits approximate the fair value due to their short tenure.

**22.2 Sectorial analysis of deposits from customers**

| | 30 June 2016 Percentage (%) | US$ | 31 Dec 2015 Percentage (%) | US$ |
|---|---|---|---|---|
| Financial markets | 15% | 6 405 640 | 15% | 7 316 400 |
| Fund managers and pension funds | 2% | 667 571 | 24% | 11 521 994 |
| Individuals | 1% | 555 296 | 8% | 3 946 063 |
| Government and public sector institutions | 74% | 31 051 243 | 47% | 22 744 680 |
| Other services | 8% | 3 139 653 | 6% | 3 078 781 |
| | 100% | 41 819 403 | 100% | 48 607 918 |

### 23 OTHER LIABILITIES

| | 30 June 2016 US$ | 31 Dec 2015 US$ |
|---|---|---|
| Accruals | 3 539 | 40 432 |
| Provision for outstanding employee leave | 212 349 | 339 231 |
| Dividend payable | 245 040 | 245 040 |
| Deferred income | 6 073 247 | 5 470 779 |
| Other | 1 164 803 | 1 285 619 |
| | 7 698 978 | 7 381 101 |
| Current | 7 698 978 | 7 381 101 |

Included in deferred Income is an amount of $3 961 170 arising from the disposal off-plan, of residential stands under the New Marimba Housing project. Sale agreements are being executed with the buyers of the residential stands and revenue accrual will begin thereafter though subject to percentage completion of servicing works.

### 24 NET INTEREST INCOME

| | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| **24.1 Interest and related income:** | | |
| Loans and advances to large corporates | 3 293 992 | 2 939 245 |
| Loans and advances to individuals | 81 542 | 47 280 |
| Held to maturity investments | 1 170 969 | 352 393 |
| Placements with local banks | 797 151 | 629 052 |
| Home loans | 181 275 | 39 532 |
| Cash and cash equivalents | 248 080 | 68 838 |
| | 5 773 009 | 4 076 340 |
| **24.2 Interest and related expense:** | | |
| Bonds | ( 2 364 398) | ( 1 389 119) |
| Deposits from large corporates | ( 594 765) | ( 955 409) |
| Deposits from individuals | ( 3 425) | ( 6 768) |
| Foreign lines of credit | - | ( 253 390) |
| | ( 2 962 588) | ( 2 604 686) |

### 25 SALES

| | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| Property sales | 171 896 | - |
| **25.1 COST OF SALES** | | |
| Cost of construction of property | ( 156 015) | - |

The Group sold 3 bedroomed flats during the period from its inventory of Housing units. Refer Note 14 Inventories.

### 26 FEE AND COMMISSION INCOME

| | | |
|---|---|---|
| Advisory and management fees | 183 582 | 392 508 |
| Capital raising fees | 142 108 | 164 658 |
| Retail service fees | 68 633 | 91 197 |
| Structured deal income | 1 502 | - |
| Credit related fees | 3 852 | 89 157 |
| | 399 679 | 737 520 |

### 27 NET LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | |
|---|---|---|
| Listed equity securities | ( 200) | ( 1 220) |

### 28 OTHER INCOME

| | | |
|---|---|---|
| Rental income | 183 375 | 182 002 |
| Other operating income | 31 261 | 19 391 |
| | 214 636 | 201 393 |

### 29 FAIR VALUE (LOSS)/PROFIT ON INVESTMENT PROPERTY

| | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| (Loss)/ Profit on disposal of investment property | ( 16 000) | 141 000 |

### 30 NET FOREIGN EXCHANGE GAINS

| | | |
|---|---|---|
| Net realised gains from dealing in foreign currency | 202 076 | 33 042 |
| Net unrealised losses from translation of foreign currency balances | ( 2 628) | ( 1 444) |
| | 199 446 | 31 598 |

### 31 OPERATING EXPENSES

| | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| Staff costs | 2 019 027 | 4 618 742 |
| Administration expenses | 805 307 | 815 003 |
| Audit fees | 34 500 | 115 000 |
| Depreciation | 81 704 | 201 712 |
| Amortisation of intangible assets | 2 298 | 95 208 |
| | 2 942 836 | 5 845 665 |

In 2015 the bank incurred US$1.9 million in retrenchment costs as part of efforts to restructure the Bank towards its core mandate of Infrastructure development in the country.

Included in staff costs are pension contributions under the National Social Security Authority, a defined contribution fund and the Group's separate trustee administered fund. Contributions to this fund are charged against income when incurred. The Group has no further obligations once the contributions have been paid.

Key management compensation which is included under staff costs above are disclosed under Note 35 Related Party Disclosure.

### 32 EARNINGS PER SHARE

| | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| Basic and diluted earning per share | | |
| Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the number of ordinary shares in issue during the year. | | |
| No dilutive instruments were held during the year. (2015 - US$nil) | | |
| The calculation of basic earnings per share at the end of the period was based on the following: | | |
| Profit/(loss) attributable to equity holders (US$) | 169 181 | ( 3 986 742) |
| Weighted average number of issued ordinary shares | 2 449 046 | 2 449 046 |
| Basic earnings/(loss) per share (US cents) | 7 | (163) |

### 33 CONTINGENCIES

a) **Contingent assets**
The Group has 20% shareholding in both Shungu Engineering (Private) Limited and Bestafoam (Private) Limited and there are shareholder issues in these entities, hence the Group is not able to have access to financial records and operations on the respective companies.

b) **Contingencies on investment property**
The Group acquired a property valued at US$1.2 million in lieu of loan exposures from clients in prior financial years. These clients were subsequently placed under judicial management and liquidation before the process of transferring title of the property to the Group could be finalised. The Group has a valid claim on the legal title of the property, and therefore the properties should not be included as part of the liquidation process in terms of the insolvency laws, given that the transaction occurred more than six months prior to the affected clients being placed under judicial management (Refer to note 15).

c) **Contingent liability on a litigation case**
The Group is involved in a case where Engen Petroleum Zimbabwe (Private) Limited is making a claim against Wedzera Petroleum (Private) Limited as first defendant for payment of the sum of US$847,848 in respect of fuel supplied to Wedzera on the back of a guarantee purportedly issued by IDBZ. IDBZ is cited as a second defendant in the matter. The bank guarantee was attained fraudulently hence it has no binding effect on the Bank. At the conclusion of the trial at the High Court of Zimbabwe, a judgement was entered against IDBZ on 15 April 2016 imputing liability on IDBZ to pay US$847,848 per the guarantee. IDBZ has since appealed against the judgement of the High Court to the Supreme Court of Zimbabwe thus effectively staying execution of the High Court judgment. The Bank's appeal is on the basis that the guarantees relied upon by Engen were invalid by virtue of them having been fraudulently procured.

### 34 COMMITMENTS

a) **Loan commitments, guarantees and other financial facilities**
At the end of the period, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

| | 30 June 2016 US$ | 31 December 2015 US$ |
|---|---|---|
| Financial guarantees | - | - |
| Loan commitments | 2 149 314 | 12 321 329 |

b) **Operating lease commitments**
The Group leases premises and lease terms are for five years and are renewable at the end of the lease period. The future aggregate minimum lease payments under non-cancellable leases are as follows:

| | | |
|---|---|---|
| No later than 1 year | 45 231 | 58 306 |

The lease rentals are renegotiated annually in January.

### 35 FUNDS UNDER MANAGEMENT

a) **Government funds under management**
The Government of Zimbabwe disburses, through the Group, fiscal allocations to parastatals and government infrastructure projects. The funds are being managed by the Group for a fee and with no credit risk residual to the Group.

| | | |
|---|---|---|
| Held on behalf of: | | |
| Government of Zimbabwe | 237 176 106 | 229 336 379 |
| Represented by: | | |
| Sinking fund | | |
| Amounts awaiting disbursement | 21 036 404 | 5 457 416 |
| Loans and advances to parastatals and government implementing agencies | 216 139 702 | 223 878 963 |
| | 237 176 106 | 229 336 379 |




# Unaudited Financial Results For the six months ended 30 June 2016

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 30 JUNE 2016

### 36 RELATED PARTIES

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

**Identity of related parties**
The Bank has a related party relationship with its major shareholders, associates and key management personnel.

The following transactions were carried out with related parties:
A number of banking transactions are entered into with related parties in the normal course of business. For the year half year ended 30 June 2016, these included:

**a) Key management compensation**
Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

| | 30 June 2016 US$ | 30 June 2015 US$ |
|---|---|---|
| Salaries and other short-term employee benefits | 277 617 | 505 112 |
| Post-employment benefits | 33 539 | 53 375 |
| Termination benefits | 50 179 | - |
| Total | 361 335 | 558 487 |

**b) Loans and advances to related parties**

| | Directors and other key management personnel 30 June 2016 US$ | Associated companies 30 June 2016 US$ | Directors and other key management personnel 31 Dec 2015 US$ | Associated companies 31 Dec 2015 US$ |
|---|---|---|---|---|
| Loans outstanding as at the end of the period | 253 331 | - | 324 984 | - |
| Interest income earned for the half year | 8 397 | - | 8 266 | - |

No allowance for impairment was required for the half year ended 30 June 2016 (2015: US$ nil) for the loans made to key management personnel.

The loans issued to directors and other key management personnel are unsecured, carry fixed interest rates and are payable on an amortising basis.

**c) Deposits from related parties**

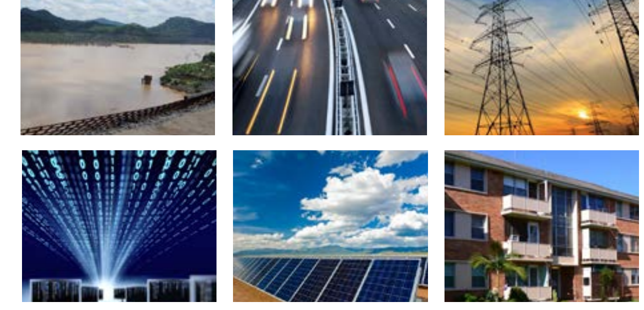
| | Directors and other key management personnel 30 June 2016 US$ | Associated companies 30 June 2016 US$ | Directors and other key management personnel 31 Dec 2015 US$ | Associated companies 31 Dec 2015 US$ |
|---|---|---|---|---|
| Deposits balance as at the end of the period | - | 138 023 | 55 322 | 93 421 |
| Interest expense on deposits for the half year | - | 4 067 | 3 326 | 5 525 |

The above deposits are unsecured, carry fixed interest rates and are repayable on maturity date.

**d) Director's shareholdings**

As at 30 June 2016, The Directors did not hold directly and indirectly any shareholding in the Group.

# NATIONAL GROWTH & TRANSFORMATION ENABLERS



Infrastructure Development Bank of Zimbabwe

# Unaudited Financial Results For the six months ended 30 June 2016


# WEZHIRA

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Clipsham Views MASVINGO

HOME SAVER ACCOUNT

Infrastructure Development Bank of Zimbabwe

NATIONAL GROWTH AND TRANSFORMATION ENABLERS