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AGRICULTURAL BANK OF ZIMBABWE LIMITED

Audited Financial Results For The Year Ended 31 December 2017

DICOMM McCANN 115186 pg1

ACTING CHAIRMAN'S STATEMENT

Economic overview

The macro and business environment remained constrained in 2017 against the background of liquidity and cash challenges. However, economic performance remained fairly strong, buoyed by the performance of the agriculture and mining sectors. Real GDP growth was projected at 3.7% in 2017. Headline inflation has been trending upwards from -0.65% in January to 3.46% in December 2017. In the outlook, the biggest threat emanates from inflationary pressures that the economy faces from potential general price hikes driven by speculative tendencies, arising from the mismatch between electronic bank balances and available foreign exchange. However, on a positive note the Monetary Authorities have secured a US$1.5 billion facility from Afreximbank, of which US$400 million of that is in respect of Nostro Stabilisation and this will enhance offshore payments.

New Political Dispensation

There were significant political events at the national level in November 2017, culminating in the resignation of the former President on the 21st November 2017 and subsequent inauguration of President E.D Mnangagwa on the 24th November 2017. In his inauguration address, the President gave priority to the recovery of the economy, attracting foreign direct investment and international re-engagement. The President also highlighted that economic recovery is predicated on agriculture recovery. Far reaching economic reforms will be implemented as part of the new dispensation to stabilise the economy for recovery and growth.

New Economic Direction

The new economic direction as highlighted by the President in his inaugural address was further reinforced by the Budget Statement announced on the 7th of December 2017 by the Hon. Minister of Finance and Economic Planning. The 2018 budget contained a raft of new pragmatic policy measures including:

i. Fiscal reforms to reduce the budget deficit
ii. State Owned Enterprise Reforms
iii. Engagement of the international community for debt and arrears clearance
iv. Amendments to the Indigenization and economic empowerment policy to open all sectors of the economy to investment from all nationalities except diamond and platinum where at least 51% local ownership is required.

The Fiscal budget had fairly comprehensive measures to contain the budget deficit through measures to control expenditures, targeting a budget deficit of US$672 million, nearly a third of the 2017 budget deficit. The commitment by Government to fiscal expenditure control, the new drive for investment and opening the country for business and reengagement with the international community, will measurably change the business environment going forward.

Indigenisation and Economic Empowerment Measures

The Minister of Finance and Economic Planning, as part of the new economic policy measures, overhauled the Indigenisation and Economic Empowerment (IEE) measures which had contributed significantly to the decline in foreign direct investment since inception in 2007. The Government essentially opened up the economy for investment by restricting the IEE measures only to two minerals (Diamonds and Platinum). The rest of the mining sector and the economy is open for 100% ownership by investors.

Banking Sector Developments

The Banking sector remained stable during the year, though cash and foreign currency shortages persisted. High liquidity levels and adequate capitalisation have contributed to the stability of the banking sector. There was a surge in electronic and plastic cards usage as the banking sector increased recourse to mobile banking platforms and POS machines over the year. In the 2018 National budget the Government stated that it is working on providing foreign currency for the acquisition of 50 000 new point of sale machines in the first quarter of 2018 as part of broadening the use of plastic money. Banking sector deposits grew by 30.26% from $6.51 billion in December 2016 to US$8.48 billion in December 2017. The growth was largely due to expansion in net credit to Government which grew by 773.9% over the same period.

Balance of Payments

The Balance of Payments (BOP) deficit narrowed down on the back of significant exports growth. In 2017, exports increased by 36% from $2.8 billion in 2016 to $3.8 billion. Imports increased by 6.1% from $5.163 billion to $5.476 billion. The trade deficit decreased by 33.24% from $2.181 billion to $1.456 billion. Zimbabwe's foreign exchange receipts increased by 3.77% to US$5.5 billion in 2017, including Diaspora receipts of US$785 million. The registered positive growth in export shipment, export receipts and the narrowing of trade deficit will support an improvement in the country's BOP position.

Corporate Governance

In line with regulatory requirements the Chairman, Mr. S. T. Biyam retired from the Board on 31 October 2017 after having served 10 years within the Bank whilst Mr.E.Tome resigned from the Board on 24 February 2017. On behalf of the shareholders, the Board, management and staff, I would like to thank them for their valuable contribution to the Bank and wish them the best in their endeavours. The shareholders are in the process of reconstituting the Agribank Board of Directors to address gaps in its composition which include the appointment of a new Board Chairman.

Outlook

Reflecting on the new dispensation and the policy changes currently under implementation by Government, the future business prospects are significantly brighter. The business environment is improving and will improve even further as macro, structural and sectoral policy reforms gain traction. The focus on foreign direct investment and the commitment to re-engagement with the international community are important pillars for economic recovery and medium-term growth. The implementation of Special Economic Zones will also provide impetus on foreign direct investment, critical for recovery and growth. The fiscal budget proposed for 2018 has incorporated significant expenditure cuts as necessary for fiscal consolidation and realignment of Government spending for control of the fiscal budget deficit.

In view of the balance sheet growth, the Bank will continue to implement reinforcing strategies to sustain profitability and to expand support to agriculture in line with the Bank's mandate. Efforts to tap into the unbanked market through Microfinance have been intensified and this will be in support of government initiatives on financial inclusion.

Appreciation

I wish to extend my gratitude to the Shareholder and the Board for their invaluable contribution and guidance which was critical for the successful turnaround of the Bank. I am indebted to my fellow Board members for their diligence in carrying out oversight functions. I also extend my gratitude to management and staff for sustaining the mandate for agriculture financing and development, while at the same time maintaining Bank viability and profitability.

Mr.T. Nherera
Acting Chairman
28 March 2018

CHIEF EXECUTIVE OFFICER'S REPORT

It is my pleasure to present the financial results for the year ended 31 December 2017.

Financial performance

The Bank recorded a profit after tax of US$7.9 million for the year 2017 compared to US$4.8 million in 2016 representing a year on year growth of 65% on the back of significant growth in non-funded income. Non-funded income, at US$10 million, grew by 115% from US$4.7 million in 2016. The Bank's growth in non-funded income was spurred by exponential growth in ICT based transactions, a result of the Bank's consistent strategic choice to invest in ICT infrastructure upgrading and delivery channels. The Bank's e-channels transactions grew by 1 800% from 200 000 in January to 3 600 000 in December 2017.

Net interest income declined by 15% from US$25.9 million in 2016 to US$22.0 million in 2017 showing the impact of a reduced loan book. On a positive note the Bank recorded a year on year reduction of 8% in interest expense from US$9.2 million in 2016 to close 2017 at US$8.5 million. The reduction in interest expense was a result of paying off US$40 million Aftrades facility and replacing it with cheaper deposits. Net operating income was US$34.2 million representing a growth of 10% from prior year. Going forward, the focus will be on growing and maintaining a sustainable quality loan book, especially agriculture related book plus enhancing non-funded e-channels related income. Total operating expenses grew by 7% from US$22.3 million in 2016 to US$23.8 million in 2017 mainly due to business growth initiatives undertaken during the year. Total costs to income ratio improved from 71% in 2016 to 70% in 2017, while staff costs to income ratio improved from 33% in 2016 to 29% in 2017. The Bank achieved the Government and shareholder targeted staff cost to income ratio of 30% or lower.

Financial position

The bank's total assets grew 32% from US$203.95 million to US$268.84 million. The total assets growth was driven by deposits from customers, which grew by 103% in 2016 to close at US$171.9 million. This deposit growth was mainly from retail deposits underlining the business growth initiatives implemented during the year. Gross loans and advances decreased by 12% from US$109.2 million as at 31 December 2016 to US$95.9 million as at 31 December 2017 mainly due to constrained lending as a result of the challenging operating environment. The average loans to deposit ratio for 2017 was 78% compared to 102% for 2016 due to increase in deposits. The Bank's non-performing loans ratio reduced to 13.81% as at 31 December 2017 from 21.14% as at 31 December 2016. The liquidity ratio was 87% as at 31 December 2017 compared to 49% as at 31 December 2016 and this was above the statutory minimum requirement of 30%. The Bank with the support of the RBZ issued off-balance sheet facilities amounting to US$51 million in 2017 mainly earmarked for customers in the agricultural sector.

Capitalisation

The Capital adequacy ratio at 39% in 2017 was an improvement on the 36% recorded in 2016. The minimum required by the RBZ is 12%. Efforts to increase the capital levels to $100 million by 2020 are ongoing as it is imperative that the Bank has adequate capital to underwrite more meaningful business in line with the mandate and the business already in the pipeline. The Bank's shareholders' funds increased by 17% from US$49.3 million as at 31 December 2016 to US$57.7 million as at 31 December 2017 as a result of the current year's attributable profit. The Bank's regulatory capital as at 31 December 2017 was US$54.9 million and is above the minimum regulatory capital of US$25 million. The Bank would like to convey its appreciation to the shareholder for the US$10 million capital allocated in the 2018 National budget, which is a positive step towards achieving the US$100 million capital requirement by 31 December 2020.

Business growth strategies

The stability of ICT systems is critical for survival of banks in the current environment. High volume and high value electronic transactions have since taken the lead ahead of cash transactions and this requires robust and stable ICT environment. The Bank is implementing a comprehensive program to upgrade the ICT core banking system for enhanced delivery channels and service delivery. The Bank will be migrating to the latest T24 version, which uses modern Arrangement Architecture and will also implement new modules to cater for compliance related issues as well as better service delivery; these include Loan Origination, IFRS 9 and Anti Money Laundering. The total cost of the project is estimated at US$6 million including taxes.

The Bank will continue to implement business growth strategies with special focus on agriculture and ICT based channel transactions.

Enhanced Support to Agriculture

Agriculture remains the anchor for economic growth and development and the Bank is structuring itself to significantly increase lending to the agricultural sector. The Bank will continue to drive its focus and thrust in agriculture through the following, among other strategies. Direct lending to farmers using collateral such as the 99-year lease. This mainly applies to A2. Strategic partnerships with corporates such as TIMB, TRB, Best Fruit Processors as well as Oil Seeds sub-sector who on-lend to smallholder farmers. This type of financing resonates well with the value chain financing which is key for the turnaround of the agricultural sector. For the TIMB Facility the Bank has targeted 17,500ha and numerous smallholder farmers have been capacitated with inputs, seeds, fertilisers and technical support.

The Bank will also enhance its support in Command Agriculture by providing working capital for farming schemes and groups. As part of fulfillment of its strategic objectives the Bank will continue to prioritize agriculture support with a total of US$105 million targeted for the ensuing year. Financing will be extended to major subsectors of the agriculture sector such as Tobacco, Maize, Soya, Horticulture as well as the critical fertilizers and chemical industries that support agriculture with inputs.

The specific amount earmarked for agriculture include US$42 million set aside for the tobacco subsector and this include the US$28 already allocated to TIMB. for soya beans and sunflower production an amount of US$20 million has been allocated for the 2017/18 cropping season and so far, a total of $5.7 million has been disbursed through the Oil Seeds Association of Zimbabwe. Furthermore, an amount of US$15 million has been earmarked for the horticulture sector and for maize production and in particular Command Agriculture and the Brazilian More Food Facility, the Bank has allocated US$10 million for maize production.

Lastly for the cotton subsector and sugarcane subsector the Bank has placed at the disposal of small scale farmers a total of US$10 million i.e. US$5 million for cotton and US$5 million for sugarcane. These agricultural interventions have been made possible by the opportunities arising from the numerous facilities extended by the Reserve Bank of Zimbabwe facilities that include US$70 Million Export Facility, US$10 Million Horticulture Facility and US$10 Million Business Linkages and value addition. These are much cheaper funds for small scale farmers and large corporates and the Bank has a choice of lending on balance sheet and where the situation demands some of the lending is done off balance sheet. Therefore, the balance sheet on its own will not reflect the actual lending on the ground.

Human Capital and Industrial Relations

The industrial relations remained harmonious during the year and this is attributed to continuous dialogue between management and Staff. This is important for enhanced productivity and staff wellness for optimal contribution to business growth. The Bank continues to invest in human capital as a critical objective of the Bank towards service enhanced customer service delivery. During the year, the Bank undertook several staff development programs and courses to enhance service excellence.

Regulatory Compliance

During the year, a Bank wide Compliance training was undertaken, focusing on Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT) across all the branches and Head Office staff. The objective is to elevate Bank wide awareness of compliance and regulatory requirements. This training will be continuous and will be cascaded to senior management and the Board. The Reserve Bank of Zimbabwe Financial Intelligence Unit (FIU) will train the Board and senior management. The Bank made adequate preparation for the adoption and implementation of International Financial Reporting Standard 9: Financial Instruments (IFRS 9) is effective from 1 January 2018. The RBZ is overseeing the banking sector's implementation of IFRS 9.

Corporate Social Responsibility

The Bank is part of the community and every year, Agribank undertakes several corporate social responsibility initiatives as part of community investment. The Bank's corporate social responsibility initiatives during the year included: Support to Matebeleland North Flood Victims, Support for Kidney Association in Zimbabwe, Support for Lupane State University Clinic Construction, Support to Binga Schools (Buniswa Primary and Siabuwa High School, National Aids Council HIV and Cancer Prevention Save the Needy House (Albino organization), National Arts Council of Zimbabwe and Girl Child Projects. The Bank is an integral part of the communities that it operates. Accordingly, the Bank is expanding support for to communities across all the country's ten provinces, including the support to school's events and national school's competition. Agribank will continue to support the communities within the context of community driven development initiatives.

Conclusion

The Bank will continue to profitably expand support to agriculture and sustaining business growth initiatives, optimizing on opportunities from the critical role of agriculture in the economy. Support to agriculture is at the core of the Bank's mandate for food security and value addition. The sustained deployment in agriculture support for agriculture growth will present Agribank with growth opportunities especially in supporting smallholder farmers, agriculture value chain, livestock and irrigation infrastructure. The Bank is also implementing the Core Banking system upgrade as necessary for the Bank to expand ICT based e-channels in an increasingly competitive domestic and global banking environment. The Core banking system upgrade will support expanded business growth initiatives, including financial inclusion and agency banking.

On behalf of management, I would like to thank all bank staff for their hard work and dedication to duty, board shareholders and regulator for continued support and guidance.

Mr S. M. T. Malaba
Chief Executive Officer
28 March 2018

CORPORATE GOVERNANCE

Main Board

The Board of Directors (the "Board") is accountable for the functions of the Bank and serves to ensure leadership, integrity and shrewd judgement in directing the Bank to achieve its objectives. The Board comprised three executive directors and seven non-executive directors. Board decisions are made in Board Meetings which are held at least every quarter and on an "as per need" basis. The Board oversees compliance with corporate governance. Roles and functions of the Board are spelt out in the Board Charter, and these are fully compliant with the minimum regulatory requirements. Board committees were set up to assist the Board in the effective discharge of its duties and these include the Audit, Loans Review, Risk and Compliance, Assets and Liabilities, Loans and Advances and Human Resources. Chairpersons for all these Board Committees are independent, non- executive directors.

There are departments that effectively deal with audit, risk and compliance issues. Directors declare their interests upon appointment and at every Board meeting. Directors are also required to declare interests prior to participating in any decision making process.

The Main Board meeting attendance for the year under review was as follows:

Director's name	Designation	Total eligible meetings	Meetings attended
Mr. S. T. Biyam*	Independent Non-Executive Director - Chairperson	7	7
Mr. T. Nherera	Independent Non-Executive Director	7	7
Mrs. D. Tomana	Independent Non-Executive Director	7	7
Mrs. V. Mutiro	Independent Non-Executive Director	7	3
Mr. E. N. Tome**	Independent Non-Executive Director	1	1
Mr. F. Ngorora	Non-Executive Director	7	6
Mr. E. Ngwarati	Non-Executive Director	7	7
Mr. S. M. T. Malaba	Chief Executive Officer	7	7
Mr. F. Macheka	Executive Director - Agricultural Development	7	7
Mr. E. Chimbera	Executive Director - Finance	7	7

Key

* Retired 31 October 2017
** Resigned 24 February 2017

Audit Committee

The Committee provides an independent evaluation of the adequacy and efficiency of the Bank's internal control systems, accounting practices, information systems and the auditing processes. The Audit Committee's meeting attendance record for the year under review was as follows:

Director's name	Designation	Total eligible meetings	Meetings attended
Mr. T. Nherera	Independent Non-Executive Director - Chairperson	3	3
Mrs. D. Tomana	Independent Non-Executive Director	3	3
Mrs. V. Mutiro	Independent Non-Executive Director	3	3
Mr. F. Ngorora	Non-Executive Director	3	2

** Resigned 24 February 2017

Loans Review Committee

The role of the Committee is to review the quality of the Bank's loan portfolio to ensure that it conforms to sound lending policies as approved by the Board. The Loans Review Committee's meeting attendance record for the year under review was as follows:

Director's name	Designation	Total eligible meetings	Meetings attended
Mrs. D. Tomana	Independent Non-Executive Director - Chairperson	3	3
Mr. E. Ngwarati	Non-Executive Director	3	2
Mr. F. Ngorora	Non-Executive Director	3	1

Risk and Compliance Committee

The role of the Committee is to ensure the quality, integrity and reliability of the Bank's risk management systems and processes. The Committee reviews and assesses inter-alia, the Bank's risk control systems and ensures that policies and strategies are effectively managed. The Committee is also responsible for independently reviewing management actions and decisions. The Risk Committee's meeting attendance record for the year under review was as follows:

Director's name	Designation	Total eligible meetings	Meetings attended
Mrs. V. Mutiro	Independent Non-Executive Director - Chairperson	5	5
Mrs. D. Tomana	Independent Non-Executive Director	5	5
Mr. E. Ngwarati	Non-Executive Director	5	4
Mr. S. M. T. Malaba	Chief Executive Officer	5	5
Mr. F. Macheka	Executive Director - Agricultural Development	5	5
Mr. E. Chimbera	Executive Director - Finance	5	4

Assets and Liabilities Committee

The Assets and Liabilities Committee ("ALCO") has the responsibility of ensuring the achievement of sustainable and stable profits within a framework of acceptable financial risks and controls. The Committee ensures maximisation of the value that can be generated from active management of the Bank's statement of financial position and financial risk within agreed risk parameters. ALCO manages the funding and investment of the Bank's statement of financial position, liquidity and cash flow, as well as the Bank's exposure to interest rate risk, foreign exchange rate risk, market risk and other related risks. It ensures that the Bank adopts the most appropriate strategy in terms of the mix of assets and liabilities given its expectation of the future and potential consequences of interest rate movements, liquidity constraints, foreign exchange exposure and capital adequacy. It also ensures that strategies conform to the Bank's risk appetite and level of exposure as determined by the Bank's Risk Management Committee. The Asset and Liability Committee's meeting attendance record for the year under review was as follows:

Director's name	Designation	Total eligible meetings	Meetings attended
Mr. S. T. Biyam*	Independent Non-Executive Director - Chairperson	3	3
Mrs. V. Mutiro	Independent Non-Executive Director	3	3
Mr. F. Ngorora	Non-Executive Director	3	2
Mr. E. Ngwarati	Non-Executive Director	3	3
Mr. S. M. T. Malaba	Chief Executive Officer	3	3
Mr. E. Chimbera	Executive Director - Finance	3	3

* Retired 31 October 2017

Loans and Advances Committee

The Loans and Advances Committee manages the overall lending policy of the Bank. The Loans and Advances Committee's meeting attendance record for the year under review was as follows:

Director's name	Designation	Total eligible meetings	Meetings attended
Mrs. V. Mutiro	Independent Non-Executive Director - Chairperson	7	7
Mr. T. Nherera	Independent Non-Executive Director	7	7
Mr. E. Tome*	Independent Non-Executive Director	1	1
Mr. S. M. T. Malaba	Chief Executive Officer	7	7
Mr. F. Macheka	Executive Director - Agricultural Development	7	5
Mr. E. Chimbera	Executive Director - Finance	7	7

* Resigned 24 February 2017

Human Resources Committee

The Committee has the responsibility of setting the terms of remuneration and packages for employees. The Human Resources Committee meetings attendance record for the year under review was as follows;

Director's name	Designation	Total eligible meetings	Meetings attended
Mr. S. T. Biyam*	Independent Non-Executive Director - Chairperson	3	3
Mr. T. Nherera	Independent Non-Executive Director	3	3
Mrs. D. Tomana	Independent Non-Executive Director	3	3
Mr. S. M. T. Malaba	Chief Executive Officer	3	3

* Retired 31 October 2017

Statement of Compliance

The Bank complied with all statutes regulating financial institutions as well as good corporate governance principles.

Board and Director Evaluation process

The annual Board and Director evaluations process is carried out as prescribed in the Reserve Bank of Zimbabwe Guideline No. 01-2004 BSD. The performance of the individual directors are evaluated by the Board. Weaknesses and areas of concern identified through the process are discussed in Board meetings with a view to rectify identified weaknesses.

By order of the Board

Mr. L. Rwazemba
Company Secretary
27 March 2018

Auditor's statement

These financial statements should be read in conjuction with the complete set of financial statements for year ended 31 December 2017, which have been audited by Deloitte and Touche Chartered Accountants (Zimbabwe) and an unqualified audit opinion issued thereon. The Key Audit Matters were recoverability and impairment of loans and advances and risk of fraud related to revenue recognition. The auditor's report is available for inspection at the Bank's registered address.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 US$ '000	2016 US$ '000
ASSETS			
Cash and bank balances	6	64 047	11 505
Financial assets held-to-maturity	7	83 242	61 942
Loans and advances	8	87 376	98 921
Other assets	9	4 285	1 844
Property and equipment	10	26 948	23 053
Intangible assets	11	965	1 979
Deferred tax asset	20.2	1 977	4 707
Total assets		**268 840**	**203 951**
EQUITY AND LIABILITIES			
EQUITY			
Ordinary share capital	12.2	11 996	11 996
Shareholder capital contribution awaiting allotment	14	68 199	67 285
Revaluation reserve		7 654	7 168
Non-distributable reserve		1 154	-
Regulatory reserve	13	194	-
Accumulated losses		(31 529)	(37 156)
Total equity attributable to ordinary shareholders		**57 668**	**49 293**
LIABILITIES			
Deposits due to other banks	15	7 876	2 818
Deposits from customers	16	171 852	84 670
Other liabilities	17	4 507	4 935
Deferred income	18	2 410	2 397
Lines of credit	19	22 092	54 788
Deferred tax liability	20.2	2 435	5 050
Total liabilities		**211 172**	**154 658**
Total equity and liabilities		**268 840**	**203 951**

Mr. T. Nherera
Acting Chairman
28 March 2018

Mr. S. M. T. Malaba
Chief Executive Officer
28 March 2018

Mr. L. Rwazemba
Company Secretary
28 March 2018

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AGRICULTURAL BANK OF ZIMBABWE LIMITED

Audited Financial Results For The Year Ended 31 December 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$ '000	2016 US$ '000
Interest and similar income	21	30 570	35 120
Interest expense and similar charges	22	(8 547)	(9 247)
Net interest income		**22 023**	**25 873**
Fee and commission income	23	10 044	4 669
Other operating income	24	2 139	624
Operating income		**34 206**	**31 166**
Impairment on loans and advances	8.4	(2 554)	(4 077)
Operating expenses	25	(23 816)	(22 278)
Profit before tax		**7 836**	**4 811**
Income tax credit	20.1	53	-
Profit for the year		**7 889**	**4 811**
Other comprehensive income			
Surplus on revaluation of property and equipment		654	353
Deferred tax on revaluation surplus		(168)	(91)
Revaluation surplus, net of tax		**486**	**262**
Other comprehensive income for the year		**486**	**262**
Total comprehensive income for the year		**8 375**	**5 073**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Ordinary share capital US$'000	Shareholder capital contribution awaiting allotment US$'000	Revaluation reserve US$'000	Non - distributable reserve US$'000	Regulatory reserve US$'000	Accumulated losses US$'000	Total US$'000
Carrying amount as at 1 January 2016	**11 996**	**55 639**	**6 914**	**-**	**476**	**(42 451)**	**32 574**
Profit for the year	-	-	-	-	-	4 811	**4 811**
Other comprehensive income for the year	-	-	262	-	-	-	**262**
Realisation of revaluation reserve on disposal	-	-	(8)	-	-	8	-
Transfer from regulatory reserve	-	-	-	-	(476)	476	**-**
Transactions with owners:							
Capital contribution	-	10 000	-	-	-	-	**10 000**
Derecognition of initial issue of capitalisation treasury bills (CTBs)	-	(19 139)	-	-	-	-	**(19 139)**
Recognition of re-issue of capitalisation treasury bills	-	20 785	-	-	-	-	**20 785**
Restated carrying amount as at 31 December 2016	**11 996**	**67 285**	**7 168**	**-**	**-**	**(37 156)**	**49 293**
Profit for the year	-	-	-	-	-	7 889	**7 889**
Other comprehensive income for the year	-	-	486	-	-	-	**486**
Transfer to regulatory reserve	-	-	-	-	194	(194)	**-**
Transactions with owners:							
Transfer of interest on CTBs to non-distributable reserve	-	-	-	1 154	-	(1 154)	**-**
Capital contribution	-	914	-	-	-	-	**914**
Dividend declared	-	-	-	-	-	(914)	**(914)**
Carrying amount as at 31 December 2017	**11 996**	**68 199**	**7 654**	**1 154**	**194**	**(31 529)**	**57 668**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$ '000	2016 US$ '000
Cash flows from operating activities			
Profit before tax		7 836	4 811
Adjustment for non-cash items:			
Impairment of loans and advances	8.4	2 554	4 077
Bad debts written off	25	336	639
Depreciation charge	10	1 501	1 238
Write-off of work-in-progress on terminated contract	10	62	-
Amortisation charge	11	438	500
Unrealised exchange losses	24	2	65
(Profit)/loss on disposal of property and equipment	24, 25	(7)	26
Interest accrued on lines of credit	19	2 923	3 423
Interest accrued on financial assets held-to-maturity	21	(3 723)	(2 094)
Operating cash inflow before changes in operating assets and liabilities		**11 922**	**12 685**
Changes in operating assets and liabilities:			
(Increase) / decrease in financial assets held-to-maturity		(17 576)	939
Decrease / (increase) in loans and advances to customers		8 655	(14 788)
Increase in other assets		(2 444)	(243)
Increase in deposits due to other banks		5 058	835
Increase in deposits from customers		87 182	21 400
(Decrease) /increase in other liabilities		(429)	2 247
Increase in deferred income		13	500
Increase in deferred management fees		292	701
Net cash generated from operations		**92 674**	**24 276**
Cash flows from investing activities			
Proceeds from disposal of property and equipment		21	8
Purchases of property and equipment	10	(4 175)	(2 844)
Purchases of intangible assets	11	(67)	(1 093)
Net cash utilised in investing activities		**(4 221)**	**(3 929)**
Cash flows from financing activities			
Proceeds from lines of credit	19	10 000	10 000
Repayments of lines of credit	19	(43 072)	(21 594)
Interest paid on lines of credit	19	(2 839)	(2 959)
Net cash utilised in financing activities		**(35 911)**	**(14 553)**
Net increase in cash and cash equivalents		**52 542**	**5 794**
Cash and cash equivalents at the beginning of year		11 505	5 711
Cash and cash equivalents at the end of year	6	**64 047**	**11 505**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 CORPORATE INFORMATION

Agricultural Bank of Zimbabwe Limited (the "Bank"), a limited liability company incorporated and domiciled in Zimbabwe, is registered as a commercial bank by the Reserve Bank of Zimbabwe under the Zimbabwe Banking Act (Chapter 24:20) and Companies Act (Chapter 24:03) and provides a wide range of commercial banking and related financial services in Zimbabwe. The financial statements have been prepared under the supervision of Mr. Elfas Chimbera CA(Z), the Finance Director of the Bank.

The address of its registered office is 14-16 Nelson Mandela Avenue, Harare

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of Agricultural Bank of Zimbabwe Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations, applicable to companies reporting under IFRS and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Banking Act (Chapter 24:20) and relevant statutory instruments SI 33/99 and SI 62/96. The financial statements have been prepared on the historical cost basis except for land, buildings, furniture, fixtures and fittings that are measured at revalued amounts and financial instruments that are measured at fair value on initial recognition.

2.2 Functional and presentation currency

The financial statements are presented in "US$" which is the Bank's presentation currency.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the accounting information. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of loans and advances

Portfolio loan impairments

The Bank assesses its loan portfolio for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and identification of a loss on an individual basis.

The impairment for performing and non-performing but not specifically impaired loans is calculated on a portfolio basis, based on historical loss patterns, adjusted for key management assumptions, industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macro-economic conditions and legislation affecting credit recovery. These historical loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Specific loan impairments

Non-performing loans include those loans for which the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. Management estimates future cash flows on individually impaired loans on a client by client basis. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Deferred tax asset

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumptions are the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the Bank in order to utilise the deferred tax assets.

(c) Fair values

The fair value of financial and non-financial assets where no active market exists or where quoted prices are not otherwise available, are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar assets or using valuation models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques are used to determine fair values, the Bank may rely on independent experts in the related fields.

The fair value of the Bank's land, buildings, furniture, fixtures and fittings is determined through valuations performed by external independent valuers. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account.

(d) Useful lives and residual values of property, equipment and intangible assets

The Bank's management determines the estimated useful lives and residual values for its property and equipment. This estimate is based on projected life cycles of these assets. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3.1 Standards issued

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2018 for which earlier application is permitted, however, the Bank has not yet early adopted the following new or amended standards in preparing these financial statements

IFRS 9 - Financial Instruments

The International Accounting Standards Board ('IASB') issued the final version of International Financial Reporting Standards ('IFRS 9') Financial Instruments in July 2014. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Bank plans to apply IFRS 9 initially on 1 January 2018. The new standard will require the Bank to revise its accounting processes related to reporting financial instruments and these changes are still in progress as such the actual impact of adopting IFRS 9 on the Bank's financial statements cannot be reliably estimated.

IFRS 15 - Revenue from contracts with customers

The Financial Accounting Standard Board ('FASB') and IASB issued their long awaited coverged standard on revenue recognition on 29 May 2016. IFRS establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 16 - Leases

IFRS 16 was published in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the lessee and the lessor. IFRS replaces IAS 17 Leases and related interpretations. IFRS 16 has one model for lessee which will result in almost all leases being included on the statement of financial position. There are no significant changes which have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

4 RISK MANAGEMENT

4.1 Financial risk management

4.1.1 Financial risk factors

The Bank's business involves taking on risks in a targeted manner and managing them professionally. Taking risk is core to the financial services business and the operational risks are an inevitable consequence of being in business.

The Bank's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Risk and Compliance Committee, under policies approved by the Board. The Board provides written principles for overall risk management, as well as policies covering specific areas such as foreign currency risk, interest rate risk, credit risk and non-derivative financial instruments.

The Board has overall responsibility for determining the type and level of business risks that the Bank assumes are essential in achieving corporate objectives. The Board has delegated part of its risk management responsibility to its various sub-committees namely, Audit Committee, Risk and Compliance Committee, Loans and Advances Committee, Loans Review Committee, Assets and Liabilities Committee and the Human Resources Committee. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The Bank's risk management strategic objectives are principally to protect the financial strength and reputation of the Bank.

4.1.1.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry that represents a concentration in the Bank's portfolio could result in losses that are different from those provided for at the statement of financial position date. Country (or sovereign) risk is part of overall credit risk and is managed as part of the credit risk management function, as it has a major impact on individual counterparties' ability to perform. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances. There is also credit risk in off-statement of financial position financial arrangements such as loan commitments and guarantees.

Credit risk for off-statement of financial position financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-statement of financial position financial instruments through established credit approvals, risk control limits and monitoring procedures.

Credit risk management

The Board has defined and documented a credit policy for the Bank which forms the basis for credit decisions. This policy includes a framework of limits and delegation of credit approval authority which are strictly adhered to. No specific individual has the power to authorise credit exposures. The Bank has an Assets and Liabilities Committee which operates within the defined limits set by the Board. This committee is responsible for the management of credit risk including, credit decisions, processes, legal and documentation risk and compliance with impairment policies.

The Bank's risk department regularly reviews adherence to required standards and reports to the Risk and Compliance Committee. The Risk and Compliance Committee reports to the Board and is responsible for the approval of credit decisions that are above set limits, recommendations on exposure limits and provisioning policies.

The Loans and Advances Committee manages the overall lending policy of the Bank. The Loans Review Committee reviews the quality of the Bank's loan portfolio to ensure that it conforms to sound lending policies.

The Bank has adopted standard provisioning policies which at a minimum, comply with the prudential guidelines of the Reserve Bank of Zimbabwe. Provisions are determined monthly and are subject to regular review by the Bank's risk department.

Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank considers three factors:
(i) the probability of default by the client or counterparty on its contractual obligations;
(ii) the current exposures to the counterparty and its likely future development; and
(iii) the likely recovery on the defaulted obligations.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. They have been developed internally and combine statistical analysis for certain categories, as well as credit manager judgement and are validated, where appropriate, by comparison with externally available data. Customers of the Bank are segmented into various classes. The Bank's rating scale, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

The Bank manages, limits and controls the concentration of credit risk in respect of individual counterparties, banks, and industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks and to industry segments. Such risks are monitored on a revolving basis and are subjected to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product or industry sector are approved by the Board and reviewed regularly. 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.

Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure to credit risk of on-statement of financial position and off-statement of financial position financial instruments, before taking into account any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount before deducting impairments for financial guarantees granted. The maximum exposure to credit risk for financial guarantees, is the maximum amount that the Bank would have to pay if guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full committed facilities.

Maximum credit risk exposures relating to on statement of financial position assets are as follows:

	2017 US$'000	2016 US$'000
Cash and bank balances	60 476	10 529
Amounts due from other banks	3 571	976
Financial assets held-to-maturity	83 242	61 942
Loans and advances to customers	95 890	109 153
Other financial assets	3 079	1 352
	246 258	**183 952**

Maximum credit risk exposure relating to off-statement of financial position assets are as follows:

	2017 US$'000	2016 US$'000
Guarantees	332	275
Maximum credit risk exposure	**237 676**	**172 249**

The Bank 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.

(a) Collateral

The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The principal collateral types for loans and advances are:
(i) Cash collateral;
(ii) Charges over assets financed;
(iii) Mortgages over residential and commercial properties;
(iv) Charges over business assets such as premises, inventory and accounts receivable; and
(v) Charges over financial instruments such as debt securities and equities.
In addition, in order to minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

No collateral is held for other financial assets other than loans and advances.

(b) Repossessed collateral

It is the bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the bank does not use repossessed assets for business purposes. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in property and equipment, other financial assets or other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. No collateral was repossessed during the current year.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as 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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank is potentially exposed to a loss of an amount equal to the total used commitments. However, the likely amount of loss is less than the total used commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The financial effect of collateral as at 31 December is presented below together with a summary of credit exposures on loans and advances:

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Audited Financial Results For The Year Ended 31 December 2017

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4 RISK MANAGEMENT (CONTINUED)

4.1 Financial risk management (continued)
4.1.1 Financial risk factors (continued)
4.1.1.1 Credit risk (continued)

Credit quality of financial assets

	Neither past due nor impaired US$'000	Past due but not impaired loans US$'000	Individually impaired loans US$'000	Total past due US$'000	Total exposure US$'000	Collateral held US$'000	IFRS Impairment US$'000
As at 31 December 2017							
Cash and bank balances	60 476	-	-	-	**60 476**	-	-
Amounts due from other banks	3 571	-	-	-	**3 571**	-	-
Financial assets held-to-maturity	83 242	-	-	-	**83 242**	-	-
Other financial assets	3 079	-	-	-	**3 079**	-	-
Loans and advances to customers	68 066	14 589	13 235	**27 824**	**95 890**	(53 108)	5 628
Agriculture	17 143	1 446	4 047	**5 493**	**22 636**	(18 955)	2 098
Communication	647	1 332	10	**1 342**	**1 989**	-	11
Construction	35	440	16	**456**	**491**	-	5
Distribution	649	412	1 657	**2 069**	**2 718**	(5 645)	770
Individuals	40 907	802	5 762	**6 564**	**47 471**	(2 018)	1 872
Manufacturing	1 912	4 941	1 046	**5 987**	**7 899**	(15 958)	135
Mining	-	14	21	**35**	**35**	-	25
Services	6 771	5 202	603	**5 805**	**12 576**	(10 532)	697
Transport	2	-	73	**73**	**75**		15
Total	**218 434**	**14 589**	**13 235**	**27 824**	**246 258**	**(53 108)**	**5 628**
As at 31 December 2016							
Cash and bank balances	10 529	-	-	-	**10 529**	-	-
Amounts due from other banks	976	-	-	-	**976**	-	-
Financial assets held-to-maturity	61 942	-	-	-	**61 942**	-	-
Other financial assets	1 352	-	-	-	**1 352**	-	-
Loans and advances to customers	53 169	33 201	22 783	**55 984**	**109 153**	(21 582)	6 646
Agriculture	4 819	8 891	13 987	**22 878**	**27 697**	(15 965)	3 340
Communication	-	10	-	**10**	**10**	-	-
Construction	26	53	-	**53**	**79**	(16)	-
Distribution	17	2 889	1 301	**4 190**	**4 207**	(810)	174
Individuals	37 165	13 019	-	**13 019**	**50 184**	(129)	219
Manufacturing	149	3 681	4 738	**8 419**	**8 568**	(3 649)	2 064
Mining	919	-	2 715	**2 715**	**3 634**	(455)	275
Services	9 986	4 577	42	**4 619**	**14 605**	(532)	574
Transport	88	81	-	**81**	**169**	(26)	-
Total	**127 968**	**33 201**	**22 783**	**55 984**	**183 952**	**(21 582)**	**6 646**

Credit quality of neither past due nor impaired financial assets

	Credit rating	2017 US$'000	2016 US$'000
Cash and bank balances		60 476	10 529
Amounts due from other banks		3 571	976
Financial assets held-to-maturity		83 242	61 942
Loans and advances to customers	A	68 066	53 169
Other financial assets		3 079	1 352
Total		**218 434**	**127 968**

The credit rating of the above financial assets has been determined using internal rating tools. According to the rating, class A loans and advances have a reasonable to extremely high prospect of repayment and no prospects of restructuring. The ungraded financial assets listed above are not subject to internal rating tools but meet the same criteria as defined for loans and advances classified as A grade.

Financial assets that are past due or impaired

Maturity analysis of financial assets that are past due and not impaired

	2017 US$'000	2016 US$'000
Due between 1 month and 2 months	9 601	18 560
Due between 2 months and 3 months	4 988	14 641
Total	**14 589**	**33 201**

Individually impaired financial assets

	2017 US$'000	2016 US$'000
Gross individually impaired loans	13 235	22 783
- less specific impairment	3 304	4 792
Net individually impaired loans	**9 931**	**17 991**

These following factors were considered in determining whether the above financial assets were individually impaired:

- significant financial difficulty of the issuer or obligor;
- granting of concession by the Bank that it would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;
- a breach of contract, such as a default or delinquency in interest or principal payments; and/or
- it becoming probable that the borrower will enter bankruptcy or other financial re-organisation.

The collateral held on these loans is as previously described above.

4.1.1.2 Liquidity risk

This is the risk that the Bank may fail to meet its short term financial obligations when they fall due resulting in the inability to support normal business activity and a failure to meet liquidity related regulatory requirements. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sale of assets or potentially the inability to fulfil lending commitments. The risk that the bank will be unable to do so is inherent in all banking operations and can be effected by a range of institution-specific and market-wide events including, but not limited to mergers, acquisitions, systemic shocks and natural disasters.

Liquidity risk management

The responsibility for managing the overall liquidity risk of the bank is delegated to the Assets and Liabilities Committee ("ALCO"), which reviews the bank's liquidity position from time to time. ALCO recommends to the board; policies, guidelines and procedures under which the bank manages statement of financial position growth, deposits, advances, foreign exchange activities and investments.

The bank has a comprehensive treasury risk management policy and procedure manual and an ALCO policy designed to ensure that the bank maintains a consistent flow of funds and that all its obligations are met at a reasonable cost. The policy covers sources of the bank's liquidity, liquid assets, borrowing capacity, liquidity maintenance plan, liquidity monitoring plan and quantitative targets.

The Bank's treasury department manages the liquidity position of the bank on a daily basis with guidance from ALCO.

The Bank employs all the critical elements regarded as fundamental in the management of liquidity, maintenance of a structurally sound statement of financial position with limited mismatches between anticipated inflows and outflows within different time buckets, diversification of funding sources and maintenance of a portfolio of liquid assets over and above prudential guidelines.

The Bank uses the various measuring tools to measure and monitor liquidity risk.

Cash flow and maturity profile analysis

The Bank uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess its ability to meet immediate liquidity requirements and plan for its medium to long term liquidity profile.

Liquidity contingency plans

In line with the Bank's liquidity policy, liquidity contingency plans are in place in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises. A comprehensive liquidity plan for liquidity risk management is in place. This plan details the course of action the Bank would take in the highly unlikely event of a run on the Bank.

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

Analysis of loans to deposit ratio

	2017	2016
As at 31 December	53%	93%
Maximum ratio for the year	103%	117%
Minimum ratio for the year	53%	84%
Average ratio for the year	78%	102%

Maturity analysis of assets and liabilities

The following table summaries the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the bank expects that many customers will not request repayment on the earliest date the bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. When the amount payable is not fixed, the amount is determined by reference to the conditions existing at the reporting date.

Liquidity gap analysis

Contractual maturities of undiscounted cash flows of financial instruments

	Up to 1 month US$'000	1 month to 3 months US$'000	3 months to 1 year US$'000	1 year to 5 years US$'000	Above 5 years US$'000	Total US$'000
As at 31 December 2017						
Assets						
Cash and bank balances	60 476	-	-	-	-	**60 476**
Amounts due from other banks	3 571	-	-	-	-	**3 571**
Financial assets held to maturity	-	-	13 585	6 545	63 112	**83 242**
Loans and advances	23 656	4 576	23 261	44 397	-	**95 890**
Other financial assets	3 079	-	-	-	-	**3 079**
	90 782	**4 576**	**36 846**	**50 942**	**63 112**	**246 258**
Liabilities						
Deposits due to other banks	7 876	-	-	-	-	**7 876**
Deposits from customers	87 405	22 096	62 351	-	-	**171 852**
Other financial liabilities	2 470	955	-	-	-	**3 425**
Lines of credit	14 193	7 899	-		-	**22 092**
	111 944	**30 950**	**62 351**	**-**	**-**	**205 245**
Liquidity gap	**(21 162)**	**(26 374)**	**(25 505)**	**50 942**	**63 112**	**41 013**
Cumulative liquidity gap	**(21 162)**	**(47 536)**	**(73 041)**	**(22 099)**	**41 013**	**41 013**
As at 31 December 2016						
Assets						
Cash and bank balances	10 529	-	-	-	-	**10 529**
Amounts due from other banks	976	-	-	-	-	**976**
Financial assets held to maturity	-	3 508	9 625	30 786	18 023	**61 942**
Loans and advances	10 704	8 062	23 421	66 966	-	**109 153**
Other financial assets	283	1 069	-	-	-	**1 352**
	22 492	**12 639**	**33 046**	**97 752**	**18 023**	**183 952**
Liabilities						
Due to other banks	2 818	-	-	-	-	**2 818**
Deposits from customers	59 927	4 257	20 486	-	-	**84 670**
Other financial liabilities	1 352	2 705	-	-	-	**4 057**
Lines of credit	-	26 420	28 368	-	-	**54 788**
	64 097	**33 382**	**48 854**	**-**	**-**	**146 333**
Liquidity gap	**(41 605)**	**(20 743)**	**(15 808)**	**97 752**	**18 023**	**37 619**
Cumulative liquidity gap	**(41 605)**	**(62 348)**	**(78 156)**	**19 596**	**37 619**	**37 619**

The table below shows the contractual expiry by maturity of the bank's financial guarantees and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Contractual maturities of undiscounted cash flows of contingent liabilities and commitments

	1 month to 3 months US$'000	3 months to 1 year US$'000	Total US$'000
As at 31 December 2017			
Facilities approved but not drawn down	676	-	**676**
Financial guarantees	140	192	**332**
	816	**192**	**1 008**
As at 31 December 2016			
Commitment to lend on undrawn facilities	1 904	-	**1 904**
Financial guarantees	170	105	**275**
	2 074	**105**	**2 179**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitments disclosed in the above maturity analysis, because the bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments may expire or terminate without being funded.

4.1.1.3 Market risk

The bank 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 rates, currency and equity products all of which are exposed to general and specific market movements 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 and foreign currency exposures related to dealing positions are housed and managed in the treasury department as guided by the treasury and international banking manual.

The risk department is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

(a) Foreign exchange risk

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. The Bank takes an exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its statement of financial position and cash flows.

The bank manages this risk by strict conformity to asset and liability management processes and requirements driven by the relevant management and board committees. These responsibilities include:

- Monitoring significant foreign exchange exposure; and
- Ensuring that foreign exchange transactions by the Bank are in compliance with foreign exchange control regulations.

The bank analyses all foreign currency denominated commitments on an on-going basis.

The table below summarises the Bank's exposure to foreign currency exchange risk at the reporting date:

	USD US$' 000 equivalent	ZAR US$' 000 equivalent	EUR US$' 000 equivalent	BWP US$' 000 equivalent	Other US$' 000 equivalent	Total US$' 000 equivalent
As at 31 December 2017						
Assets						
Cash and bank balances	64 002	25	7	5	7	**64 046**
Liabilities						
Deposits from customers	(171 438)	(366)	-	(1)	(47)	**(171 852)**
Net currency position	**(107 436)**	**(341)**	**7**	**4**	**(40)**	**(107 806)**
As at 31 December 2016						
Assets						
Cash and bank balances	11 299	170	13	9	13	**11 505**
Liabilities						
Deposits from customers	(84 301)	(354)	-	(2)	(13)	**(84 670)**
Net currency position	**(73 002)**	**(184)**	**13**	**7**	**-**	**(73 165)**

The Bank's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year. The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied to the average exposure to currency risk during the year, with all other variables held constant.

As is evident in the table above ,the Bank is primarily exposed to the ZAR.

Sensitivity analysis

The following table presents sensitivities of profit or loss and equity to a 5% strengthening or weakening in exchange rates with all other variables held constant.

	USD US$' 000 equivalent	ZAR US$' 000 equivalent	EUR US$' 000 equivalent	BWP US$' 000 equivalent	Other US$' 000 equivalent	Total US$' 000 equivalent
As at 31 December 2017						
Foreign exchange gain/ (loss)	-	(23)	1	19	1	**(2)**
% increase/decrease in exchange rates	5%	5%	5%	5%	5%	
Increase/decrease in profit or loss and equity	-	**(1)**	-	**1**	-	-
As at 31 December 2016						
Foreign exchange loss	-	(63)	(1)	(1)	-	**(65)**
% increase/decrease in exchange rates	5%	5%	5%	5%	5%	
Increase/decrease in profit or loss and equity	-	**3**	-	-	-	**3**

There were no off-statement of financial position exposures that were denominated in foreign currency as at 31 December 2017 (2016: US$nil).

(b) Interest rate risk

IInterest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank 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 increases a result of such changes but may reduce losses in the event that unexpected movements arise Interest rate risk is managed through ALCO which ensures that there is a well designed strategy and policy. The bank reviews the interest rate risk on a monthly basis and through ALCO optimises the risk reward tradeoff by:

- Assessing and optimally structuring the profile of the Bank's statement of financial position; and
- Effectively utilising capital.

The objective of interest rate risk management is to minimise exposure of earnings and equity to loss. The following interest rate risk management measurement and monitoring methods are used by the Bank:

- Repricing gap analysis;
- Interest rate spreads; and
- Interest margin analysis.

The table below summarises the bank's exposure to interest rate risk on financial and non-financial instruments. It includes the bank's financial instruments at carrying amounts categorised by earlier of contractual repricing or maturity dates.

Interest rate repricing and gap analysis

	Up to 1 month US$'000	1 month to 3 months US$'000	3 months to 1 year US$'000	1 year to 5 years US$'000	Above 5 years US$'000	Non-interest bearing US$'000	Total US$'000
As at 31 December 2017							
Assets							
Cash and bank balances	60 476	-	-	-	-	-	**60 476**
Amounts due from other banks	3 571	-	-	-	-		**3 571**
Financial assets held-to-maturity	-	-	13 585	6 545	63 112	-	**83 242**
Loans and advances	23 656	4 576	23 261	44 397	-	-	**95 890**
Other financial assets	-	-	-	-	-	3 079	**3 079**
Total assets	**87 703**	**4 576**	**36 846**	**50 942**	**63 112**	**3 079**	**246 258**
Liabilities							
Deposits due to other banks	7 876	-	-	-	-	-	**7 876**
Deposits from customers	87 405	22 096	62 351	-	-	-	**171 852**
Other financial liabilities	-	-	-	-	-	3 425	**3 425**
Lines of credit	-	14 193	7 899	-	-	-	**22 092**
Total liabilities	**95 281**	**36 289**	**70 250**	**-**	**-**	**3 425**	**205 245**
Interest rate repricing gap	**(7 578)**	**(31 713)**	**(33 404)**	**50 942**	**63 112**	**(346)**	**41 013**
Cumulative repricing gap	**(7 578)**	**(39 291)**	**(72 695)**	**(21 753)**	**41 359**	**41 013**	**41 013**
As at 31 December 2016							
Assets							
Cash and bank balances	8 783	-	-	-	-	1 746	**10 529**
Amounts due from other banks	976	-	-	-	-	-	**976**
Financial assets held-to-maturity	-	-	3 508	9 625	48 809	-	**61 942**
Loans and advances	10 704	8 062	23 421	66 966	-	-	**109 153**
Other financial assets	-	-	-	-	-	1 352	**1 352**
Total assets	**20 463**	**8 062**	**26 929**	**76 591**	**48 809**	**3 098**	**183 952**
Liabilities							
Deposits due to other banks	2 818	-	-	-	-	-	**2 818**
Deposits from customers	59 927	4 257	20 486	-	-	-	**84 670**
Other financial liabilities	-	-	-	-	-	4 057	**4 057**
Lines of credit	-	-	26 420	28 368	-	-	**54 788**
Total liabilities	**62 745**	**4 257**	**46 906**	**28 368**	**-**	**4 057**	**146 333**
Interest rate repricing gap	**(42 282)**	**3 805**	**(19 977)**	**48 223**	**48 809**	**(959)**	**37 619**
Cumulative repricing gap	**(42 282)**	**(38 477)**	**(58 454)**	**(10 231)**	**38 578**	**37 619**	**37 619**

Sensitivity analysis

The following table presents sensitivities of profit or loss and equity to a 5% strengthening or weakening in interest rates with all other variables held constant.

	Interest income US$' 000	% increase/decrease in interest rates	Increase or decrease in profit or loss and equity US$' 000
As at 31 December 2017			
Interest income			
Interest income on loans and advances	14 903	5%	745
Interest income on financial assets held-to-maturity - ZAMCO treasury bills	1 653	5%	83
Interest income on financial assets held-to-maturity - CTBs	1 820	5%	91
Interest income on fixed deposits	232	5%	12
Interest income on bonds and debentures	92	5%	5
Total increase/decrease in profit/loss and equity			**936**
Interest expense			
Interest expense on fixed deposits	3 439	5%	172
Interest expense on retail and savings accounts	73	5%	4
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	1 812	5%	91
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	1 111	5%	56
Total increase/decrease in profit/loss and equity			**323**
As at 31 December 2016			
Interest income			
Interest income on loans and advances	20 306	5%	1 015
Interest income on financial assets held-to-maturity- ZAMCO treasury bills	852	5%	43
Interest income on financial assets held-to-maturity- CTBs	1 155	5%	58
Interest income on fixed deposits	112	5%	6
Interest income on bonds and debentures	87	5%	4
Total increase/decrease in profit/loss and equity			**1 126**
Interest expense			
Interest expense on fixed deposits	(3 173)	5%	(159)
Interest expense on retail and savings accounts	(244)	5%	(12)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(825)	5%	(41)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(2 598)	5%	(130)
Total increase/decrease in profit/loss and equity			**(342)**

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4 RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

Capital risk is the risk that the bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity, a failure to meet regulatory requirements and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.

The Bank's strategic focus is to maintain an optimal mix of high quality capital while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio.

The Bank's objectives when managing capital are:

- to comply with the capital requirements of the Reserve Bank of Zimbabwe;
- to safeguard the bank'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.

Capital adequacy and the use of regulatory capital are monitored daily by the bank's management employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Reserve Bank of Zimbabwe, for supervisory purposes.

The regulatory capital requirements are strictly observed when managing economic capital. The banking regulatory capital is analysed into three tiers:

- Tier 1 capital, which includes ordinary share capital and premium, retained earnings, non-distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for- sale; and
- Tier 3 capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses on and off statement of financial position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50% of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include investment in the capital of other banks and certain other regulatory items.

The Bank's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off statement of financial position exposures.

Capital adequacy ratio

	2017 US$'000	2016 US$'000
Issued share capital	11 996	11 996
Shareholder capital contribution	68 199	67 285
IFRS discounting adjustment	6 239	9 093
Accumulated losses brought forward	(31 529)	(37 156)
Less: Exposures to insiders and connected parties	-	(142)
Tier 1 capital*	**54 905**	**51 076**
Revaluation reserve	7 654	7 168
Regulatory reserve	194	
General provisions	1 964	1 854
Tier 2 capital**	**9 812**	**9 022**
Market risk capital	37	18
Operational risk capital	4 807	3 933
Tier 3 capital	**4 844**	**3 951**
Total capital	**69 561**	**64 049**
Total risk weighted assets	**180 363**	**176 675**
Capital adequacy ratio	**39%**	**36%**
Tier 1	31%	29%
Tier 2	5%	5%
Tier 3	3%	2%

* Tier 1 capital requirement should be a minimum of US$25 000 000
** Tier 2 capital should not exceed 50% of Tier 1 capital.

The Zimbabwe Banking Act (Chapter 24:20) section 31 stipulates that capital adequacy ratio as calculated in historical cost terms should be a minimum of 8% of Tier 1 capital.

Included in Tier 1 capital as part of shareholder capital contribution are capitalisation treasury bills with a carrying amount of US$33.7 million (2016: US$30.9 million).

On 26 May 2015 the Bank received capitalisation treasury bills with a face value of US$30.0 million. The CTBs mature on 26 May 2025 and carry a coupon of 1% which is payable on maturity. On 8 December 2016, the Bank received further CTBs with a face value of US$ 10.0 million. The CTBs received in 2016 mature on 8 December 2026 and carry a coupon of 5% which is payable on maturity.

The face value of the treasury bills is accepted as prescribed equity capital by the Reserve Bank of Zimbabwe. IFRS requires all financial assets and financial liabilities to be recognised initially at fair value. Subsequent to initial recognition, IFRS requires financial assets held-to-maturity to be subsequently measured at amortised cost using the effective interest rate method.

4.3 Reserve Bank of Zimbabwe onsite examination

The Bank has its corporate governance and risk management processes independently examined by the Reserve Bank of Zimbabwe. The following is the result of the last examination:

AGRIBANK CAMELS ratings as at 31 March 2017.

CAMELS component	Rating as at 31 March 2017
Capital Adequacy	2 satisfactory
Asset Quality	3 fair
Management	3 fair
Earnings	3 fair
Liquidity	3 fair
Sensitivity to Market Risk	2 satisfactory
Composite Rating	3 fair

Overall ratings

The composite CAMELS rating assigned to the Bank is "**3**" i.e. "**fair**".

In terms of the Risk Assessment System (RAS), the composite risk of the Bank was considered moderate on account of moderate aggregate inherent risk and acceptable overall risk management sysstems. The direction of overall composite risk is stable.

Summary risk matrix

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

Key

Level of inherent risk

LOW- the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is lower than average. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's financial condition.
MODERATE- the probability of the risk occurring and the impact on capital and earnings if the event occurs is average. It could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.
HIGH- the probability of the risk occurring and the impact of loss to capital and earnings if the event occurs is higher than average. High inherent risk could reasonably be expected to result in a significant and hamful loss to the banking institution.

Adequacy of risk management systems

WEAK- Mangement of risk is barely effective and lacking to a high degree. Risk management weakness have not been addressed. Management does not implement timely and appropriate actions in response to changing conditions. Bank personnel lack knowledge on risk management and are inexperienced. Management information systems are inadequate.
ACCEPTABLE- management of risk is largely effective but lacking to some modest degree. The institution has minor risk management weaknesses which can be addressed during the normal course of business. Management information systems are generally adequate.
STRONG- Risk management systems are adequate for identifying, measuring, monitoring and controlling risks. While the institution may be having some insignificant risk management weaknesses, these have been recognised and are being addressed. Management information systems are adequate.

Overall composite risk

LOW- would be assigned to low inherent risk areas. Minor risk areas may be assigned a low composite risk where risk management systems are acceptable or strong. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong or ver strong and effectively mitigate much of the risk.
MODERATE-risk management systems appropriately mitigates inherent risk. For a given minor or low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong or very strong risk management system may reduce the risk so that any potential financial loss form the activity would have only a moderate negative impact on the financial condition of the banking institution.
HIGH- risk management systems do not significantly mitigate the low, moderate, high or extreme inherent risk. Thus activity could potentisl result in a financial loss that would have a significant impact on the bank's overall condition, even in some cases where systems are considered strong.

Direction of overall composite

INCREASING- based on the current information, composite risk is expected to increase in the next 12 months.
DECREASING- based on the current information, composite risk is expected to decrease in the next 12 months.
STABLE- based on the current information, composite risk is expected to be stable in the next 12 months.

5 FAIR VALUE ESTIMATION

IIFRS 13 "Fair value measurement " requires an entity to classify its assets and liabilities according to hierarchy that reflects the availability of observable significant market inputs. The table below analyses financial instruments carried at fair value, by valuation method. The three levels have been defined as follows:

Quoted market prices - Level 1

Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2

Assets and liabilities classified as level 2 have been valued using models whose inputs are observable in an active market either directly (that is ,as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs - Level 3

Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data(unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market ,or if there is compelling external evidence demonstrating an executable exit price.

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

Non-financial assets carried at fair value

The following table analyses the non-financial assets carried at fair value:

Fair value hierarchy of non-financial assets and liabilities carried at fair value

	Valuation technique using			
	Quoted market prices Level 1 US$'000	Observable inputs Level 2 US$'000	Significant unobservable inputs Level 3 US$'000	Total US$'000
As at 31 December 2017				
Assets				
Land and buildings				
– Commercial properties - offices	-	-	18 776	**18 776**
– Residential properties	-	-	734	**734**
Furniture	-	-	592	**592**
Fixtures and fittings	-	-	1 128	**1 128**
	-	**-**	**21 230**	**21 230**
As at 31 December 2016				
Assets				
Land and buildings				
– Commercial properties - offices	-	-	18 786	**18 786**
– Residential properties	-	-	893	**893**
Furniture	-	-	-	**-**
Fixtures and fittings	-	-	-	**-**
	-	**-**	**19 679**	**19 679**

Fair valuation of ZAMCO treasury bills at initial recognition

During the year, the Bank received treasury bills as settlement for non-performing loans transferred to Zimbabwe Asset Management Company (ZAMCO). These treasury bills were issued at coupon rates ranging between 0% to 5% per annum and maturing between 2 years and 15 years. For treasury bills issued at a coupon rate of 0%, 5% was determined as a fair discount rate for use in determining the fair value thereof at initial recognition as explained in the table below.

The computation of the fair value at initial recognition falls into Level 3 of the fair value hierarchy in terms of of IFRS 13; "Fair value measurement" due to the absence of a recognisable market in which similar instruments are traded.

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The Dicounted Cash-flow valuation technique was applied by identifying a risk adjusted discount rate for comparable risk profiles and applying this on the contractual cash-flows in order to determine the present value of the instrument.	A discount rate of 5% was determined to be fair and appropriate. This was developed principally from adding a supposed fair rate of return to the projected inflation profile over the term of the instrument which yielded a range of 3.93% to 5.5%. The supposed fair return was based on the 10-year US bond. The rates above were corroborated by reference to: (a) Rates applicable to similar loans Government of Zimbabwe over the same term; and (b) External loan rates to private sector players in Zimbabwe after risk margins and charges.	The estimated fair value would increase/(decrease) if a different risk adjusted discount rate was applied. Below is an indication of the sensitivity analysis at different rates:- **Discount rate / Basis capital / Fair value at discount rate** 3.93% Minima $4 777 146 4.63% Average $6 663 556 5.00% Rate applied $7 619 164 5.50% Maxima $8 866 804

6 CASH AND BANK BALANCES

	2017 US$'000	2016 US$'000
Cash on hand	398	1 746
Balances with the Reserve Bank of Zimbabwe	60 078	8 783
Amounts due from other banks	3 571	976
	64 047	**11 505**

Amounts due from other banks comprises current accounts and fixed placements held with other banks.

7 FINANCIAL ASSETS HELD-TO-MATURITY

	2017 US$'000	2016 US$'000
Treasury bills (TBs)	76 924	60 778
Deferred facility fees on ZAMCO TBs	694	-
Savings bonds	2 004	-
Fixed deposit placements	2 446	-
Fidelity Life bonds	715	705
Cairns Foods Limited debentures	459	459
	83 242	**61 942**
Reconciliation of financial assets held-to-maturity		
As at 1 January	61 942	23 789
Additions - capitalisation treasury bills	-	10 000
Additions - ZAMCO treasury bills	17 191	24 514
ZAMCO deferred fees recognised during the year	(158)	-
Additions - Savings bonds	2 000	-
Additions - Fixed deposit placements	2 446	-
Maturities	(2 232)	-
Derecognition of initial issue of CTBs	-	(19 139)
Recognition of new issue of CTBs	-	20 785
Accrued interest	3 631	2 007
Interest payments received	(1 578)	(14)
As at 31 December	**83 242**	**61 942**
Maturity analysis		
Due within 3 months to 1 year	13 585	3 508
Due between 1 year and 5 years	6 545	9 625
Due between 5 years and 10 years	42 104	30 786
Due between 10 years and 15 years	21 008	18 023
	83 242	**61 942**

The bank holds treasury bills issued by the Reserve Bank of Zimbabwe as follows:

7.1 Capitalisation treasury bills (CTBs)

On 26 May 2015, treasury bills with a maturity value of US$30.0 million were issued to the Bank as part of the recapitalisation by the shareholder. The treasury bills were issued at a coupon rate of 0.15% per annum maturing in ten years. Subsequent to year end 2015, the treasury bills were recalled and reissued on 26 February 2016 at a coupon rate of 1% per annum maturing in ten years from the date of issue. Interest on the treasury bills is payable semi-annually.

The Bank received further CTBs in December 2016 with a face value of US$10.0 million. These CTBs mature on 7 December 2026 and carry a coupon of 5% which is payable on maturity.

The CTBs were discounted and recorded at a carrying amount of US$33.8 million as at 31 December 2017. The CTBs have been classified as held-to-maturity financial assets in terms of IAS 39 Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

7.2 ZAMCO treasury bills

Treasury bills were received as settlement for some non-performing loans. The treasury bills were issued at coupon rates ranging between 2% to 5% per annum and maturing between 2 years and 15 years and appropriate discounting of the treasury bills was applied in determining the the fair value at initial recognition.

The ZAMCO TBs were discounted and recorded at a carrying amount of US$43.2 million as at 31 December 2017. The TBs have been classified as held-to-maturity financial assets in terms of IAS 39 Financial Instruments Recognition and Measurement. Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

7.3 Fidelity Life bonds

Fidelity Life bonds were received as settlement for some non-performing loans and are redeemable in five equal instalments every 30th day of June with the first instalment being due on 30 June 2018 and the last instalment due on 30 June 2022.

7.4 Cairns Foods Limited debentures

The Bank received Cairns Foods Limited debentures as settlement for a non-performing loan on 30 September 2015 at a coupon rate of 5% payable bi-annually on the 30th day of September and 31st day of March with a tenor of sixty months from the date of allotment.

8 LOANS AND ADVANCES

	2017 US$'000	2016 US$'000
Loans	89 334	99 039
Overdrafts	6 556	10 114
Gross loans and advances	**95 890**	**109 153**
Less :		
allowance for loan impairment charges	(5 268)	(6 646)
suspended interest	(3 246)	(3 586)
Net loans and advances	**87 376**	**98 921**

8.1 Maturity analysis

Due within 1 month	23 656	10 704
Due between 1 month and 3 months	4 576	8 061
Due between 3 months and 1 year	23 261	23 421
Due between 1 year and 5 years	44 397	66 967
	95 890	**109 153**

8.2 Non-performing loans

	2017 US$'000	2016 US$'000
Included in the loans and advances are the following:		
Gross non-performing loans	13 245	23 070
Loans on the watch list	-	10 001
Impairment on non-performing loans and advances	(3 304)	(5 313)
Suspended interest on non-performing loans and advances	(3 246)	(3 586)
Net non-performing loans	**6 695**	**24 172**

8.3 Sectorial analysis of loans and advances

	2017 US$'000	%	2016 US$'000	%
Agriculture	22 636	23.6%	27 697	25.4%
Individuals	47 471	49.5%	50 184	46.0%
Manufacturing	7 899	8.2%	8 568	7.8%
Communication	1 989	2.1%	10	0.0%
Construction	491	0.5%	79	0.1%
Transport	75	0.1%	169	0.2%
Services	12 576	13.1%	14 605	13.4%
Mining	35	0.0%	3 634	3.3%
Distribution	2 718	2.8%	4 207	3.9%
	95 890	**100%**	**109 153**	**100%**

8.4 Movement in allowance for loan impairment charges

	2017 US$'000	2016 US$'000
Carrying amount as at 1 January	6 646	12 477
Loan impairment charges	2 554	4 077
Utilisation of provision on fair valuation of ZAMCO TBs at initial recognition	(1 329)	-
Amounts written off during the year as uncollectible	(2 603)	(9 908)
Carrying amount as at 31 December	**5 268**	**6 646**
The allowance for impairment charges consists of the following:		
- specific impairments	3 304	4 792
- portfolio impairments	1 964	1 854
	5 268	**6 646**

9 OTHER ASSETS

Equipment in transit	813	196
Rent receivable	218	262
Prepayments	324	224
Consumables	69	72
Sundry debtors	22	33
Security deposits	2 839	1 057
	4 285	**1 844**

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10 PROPERTY AND EQUIPMENT

	Land US$'000	Buildings US$'000	Motor vehicles US$'000	Computer equipment US$'000	Office equipment US$'000	Fixtures and fittings US$'000	Furniture US$'000	Work in progress US$'000	Total US$'000
Carrying amount as at 1 January 2016	2 729	16 731	130	637	473	343	55	30	**21 128**
Revaluation surplus	297	56	-	-	-	-	-	-	**353**
Transfer from work-in-progress						30		(30)	
Additions	-	390	336	549	758	309	22	480	**2 844**
Disposals - cost	(6)	(35)	-	-	-	-	-	-	**(41)**
Disposals - accumulated depreciation	-	7	-	-	-	-	-	-	**7**
Depreciation charge	-	(490)	(131)	(295)	(188)	(108)	(26)	-	**(1 238)**
Carrying amount as at 31 December 2016	**3 020**	**16 659**	**335**	**891**	**1 043**	**574**	**51**	**480**	**23 053**
Reclassification from intangible assets								643	**643**
Revaluation surplus	-	-	-	-	-	198	456	-	**654**
Transfer from work-in-progress	-	124	-	-	255	39	-	(418)	**-**
Write-offs	-	-	-	-	-	-	-	(62)	**(62)**
Additions	-	90	692	303	1 402	481	106	1 101	**4 175**
Disposals - cost	-	-	(347)	(201)	(175)	(8)	(96)	-	**(827)**
Disposals - accumulated depreciation	-	-	346	199	167	7	94	-	**813**
Depreciation charge		(383)	(196)	(323)	(417)	(163)	(19)	-	**(1 501)**
Carrying amount as at 31 December 2017	**3 020**	**16 490**	**830**	**869**	**2 275**	**1 128**	**592**	**1 744**	**26 948**
As at 31 December 2016									
Cost or revalued amount	3 020	17 477	1 666	2 899	2 244	1 480	730	480	**29 996**
Accumulated depreciation	-	(818)	(1 331)	(2 008)	(1 201)	(906)	(679)	-	**(6 943)**
Carrying amount	**3 020**	**16 659**	**335**	**891**	**1 043**	**574**	**51**	**480**	**23 053**
As at 31 December 2017									
Cost or revalued amount	3 020	17 692	2 011	3 000	3 727	1 128	592	1 744	**32 914**
Accumulated depreciation	-	(1 202)	(1 181)	(2 131)	(1 452)	-	-	-	**(5 966)**
Carrying amount	**3 020**	**16 490**	**830**	**869**	**2 275**	**1 128**	**592**	**1 744**	**26 948**

Work-in-progress comprises the T24 core banking system upgrade, the contact centre and other ICT projects.

Had fixtures, fittings, furniture, land and buildings were stated at historical cost, their carrying amounts would be as follows:

	Fixtures & Fittings 2017 US$'000	Fixtures & Fittings 2016 US$'000	Furniture 2017 US$'000	Furniture 2016 US$'000	Land & Buildings 2017 US$'000	Land & Buildings 2016 US$'000
Cost	1 992	1 480	740	730	15 629	15 629
Accumulated depreciation	(1 062)	(906)	(605)	(679)	(2 612)	(2 299)
Carrying amount	**930**	**574**	**135**	**51**	**13 017**	**13 330**

10.1 Change in accounting policy

As at 31 December 2016 the bank used the cost model for furniture, fixtures and fittings. As at 31 December 2017, furniture, fixtures and fittings were revalued by Dawn Properties Consultancy (Private) Limited using a desktop valuation methodology. The Bank thereby changed its model for this group of assets from the cost model to the revaluation model.

11 INTANGIBLE ASSETS

	2017 US$'000	2016 US$'000
Carrying amount as at 1 January	1 979	1 386
Additions	67	1 093
Reclassification to work-in-progress	(643)	-
Amortisation charge	(438)	(500)
Carrying amount as at 31 December	**965**	**1 979**
Cost	3 287	3 863
Accumulated amortisation	(2 322)	(1 884)
Carrying amount as at 31 December	**965**	**1 979**

Intangible assets comprise of computer software.

12 SHARE CAPITAL

	2017 US$'000	2016 US$'000
12.1 Authorised share capital		
18 108 100 ordinary shares of US$1.00 each	18 108	18 108
12.2 Issued and fully paid		
11 996 020 ordinary shares of US$1.00 each	11 996	11 996

The unissued share capital is under the control of the directors subject to the limitations of the Zimbabwe Companies Act (Chapter 24:03).

13 REGULATORY RESERVE

	2017 US$'000	2016 US$'000
Regulatory reserve	194	-

Regulatory reserve represent the excess of the Basel II provision (US$5 461 612) over IAS 39 provision (US$5 267 704).

14 SHAREHOLDER CAPITAL CONTRIBUTION

	2017 US$'000	2016 US$'000
Shareholder capital contribution	68 199	67 285

This amount represents contribution by shareholders to increase share capital. The capital contribution has not yet been allotted.

15 DEPOSITS DUE TO OTHER BANKS

	2017 US$'000	2016 US$'000
Term deposits held for other banks	7 876	2 818
Maturity analysis		
Due within 1 month	7 876	2 818

All deposits from banks are fixed-interest rate deposits with interest rates ranging between 7% and 15%.

16 DEPOSITS FROM CUSTOMERS

	2017 US$'000	2016 US$'000
Demand deposits	87 405	25 756
Savings accounts	22 096	11 418
Term deposits	62 575	47 737
Deferred Agrobills arrangement fees	(224)	(241)
	171 852	**84 670**
Maturity analysis		
Due within 1 month	87 405	59 927
Due between 1 month and 3 months	22 096	4 257
Due between 3 months and 1 year	62 351	20 486
	171 852	**84 670**

17 OTHER LIABILITIES

	2017 US$'000	2016 US$'000
Grain facility	-	1 245
Provision for leave pay (note 17.1)	302	330
Accrued expenses	306	91
Sundry creditors	1 611	1 786
Software and connectivity	481	153
Subsistence, travelling and transport hire	14	8
Audit fees	63	91
Withholding and other taxes	84	29
Suspense accounts	-	6
Unclaimed deposits	207	206
Medical aid, standards and manpower development levies	11	36
Provision for long service awards	147	153
Provision for bonus	263	207
Zimbabwe Asset Management (ZAMCO) collections	1 019	594
	4 507	**4 935**

17.1 Provision for leave pay

	2017 US$'000	2016 US$'000
As at 1 January	330	274
Provision for leave pay charge	166	181
Provision for leave pay utilised	(194)	(125)
As at 31 December	**302**	**330**

18 DEFERRED INCOME

	2017 US$'000	2016 US$'000
Deferred income	**2 410**	**2 397**
Maturity analysis		
Due within 1 month	443	297
Due between 1 month and 3 months	615	380
Due between 3 months and 1 year	1 113	1 281
Due between 1 year and 5 years	239	439
	2 410	**2 397**

Deferred income relates to establishment and drawdown fees charged to customers on loans and advances which mature subsequent to the reporting period.

18.1 Movement in deferred income

As at 1 January	2 397	1 897
Income deferred during the year	1 818	1 901
Income realised during the year	(1 805)	(1 401)
As at 31 December	**2 410**	**2 397**

19 LINES OF CREDIT

	2017 US$'000	2016 US$'000
Industrial Development Corporation of South Africa ("IDCSA")	22 703	30 247
Reserve Bank of Zimbabwe (Aftrades)	-	25 444
Deferred upfront and raising fees	(611)	(903)
Total	**22 092**	**54 788**
Maturity analysis		
Due between 1 month and 3 months	14 193	-
Due between 3 months and 1 year	7 899	26 420
Due between 1 year and 2 years	-	28 368
	22 092	**54 788**
Analysis of lines of credit		
Carrying amount as at 1 January	54 788	66 821
Interest accrued during the year (note 28):	2 923	3 423
Industrial Development Corporation of South Africa ("IDCSA")	1 812	825
Reserve Bank of Zimbabwe (Aftrades)	1 111	2 598
Deferred upfront and raising fees movement (note 28):	292	(903)
Cash flows made during the year (note 28):	(35 911)	(14 553)
Capital repayments	(43 072)	(21 594)
Interest repayments	(2 839)	(2 959)
Proceeds received during the year	10 000	10 000
Carrying amount as at 31 December	**22 092**	**54 788**

The lines of credit from IDCSA accrue interest at a rate of LIBOR plus 5% per annum, are secured by a Government of Zimbabwe guarantee and are repayable over a period of six years.

The lines of credit from the Reserve Bank of Zimbabwe (Aftrades) accrue interest at a rate of 8.5% per annum and have a tenure of two years. Each drawdown is due and payable in 180 days with an option to renew for six months for a maximum period of two years.

20 TAXATION

	2017 US$'000	2016 US$'000
20.1 Income tax expense		
Current tax	-	-
Deferred tax	53	-
Movement in temporary differences	53	-
Income tax expense	**53**	**-**
Tax rate reconciliation		
Accounting profit	7 837	4 811
Notional taxation on income for the year at a statutory rate of 25.75% (2016 :25.75%)	2 018	1 239
Tax effect of non-taxable/non-deductible items:		
Expenses not deductible for tax purposes	627	276
Assessed loss not claimed	-	285
Tax losses for which no deferred tax asset was recognised	-	115
Exempt income	(1 820)	-
Other tax adjustments	(772)	(1 617)
	53	**298**

The tax charge relating to components of other comprehensive income is as follows:

Deferred tax on revaluation surplus	**168**	**91**

20.2 Deferred tax		
Assessed losses	1 977	4 707
Deferred tax asset as at 31 December	**1 977**	**4 707**
Property and equipment	5 133	4 682
Prepayments	83	74
Unrealised exchange gains	1	-
Deferred income	(621)	-
Deferred expenses	215	294
Provisions	(2 376)	-
Deferred tax liability as at 31 December	**2 435**	**5 050**
Net deferred tax liability	**458**	**343**

Deferred tax movement

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	2017 US$'000	2016 US$'000
Net deferred tax liability as at 1 January	343	252
Credit to profit or loss	(53)	-
Tax charge relating to components of other comprehensive income	168	91
Net deferred tax liability as at 31 December	**458**	**343**

21 INTEREST AND SIMILAR INCOME

	2017 US$'000	2016 US$'000
Interest income on loans and advances to customers	14 903	20 306
Total interest income on financial assets held-to-maturity	3 723	2 094
Interest income on ZAMCO TBs	1 811	852
Interest income on CTBs	1 820	1 155
Interest income on bonds and debentures	92	87
Interest income on fixed deposits	232	112
Deferred facility fees on ZAMCO TBs	(158)	-
Management and establishment fees on loans and advances	11 870	12 608
	30 570	**35 120**

22 INTEREST EXPENSE AND SIMILAR CHARGES

	2017 US$'000	2016 US$'000
Interest expense on fixed deposits	(3 439)	(3 173)
Amortisation of Agrobills arrangement fees	(316)	(424)
Interest expense on retail and savings accounts	(73)	(244)
Interest expense on Industrial Development Corporation of South Africa ("IDCSA")	(1 812)	(825)
Amortisation of lines of credit upfront fees	(847)	(860)
Interest expense on Reserve Bank of Zimbabwe ("Aftrades")	(1 111)	(2 598)
Amortisation of Aftrades raising fees	(948)	(1 123)
	(8 547)	**(9 247)**

23 FEE AND COMMISSION INCOME

	2017 US$'000	2016 US$'000
Fee income	5 182	2 409
Commission income	4 862	2 260
	10 044	**4 669**

The commissions are from usage of the Bank's electronic platforms and POS machines.

24 OTHER OPERATING INCOME

	2017 US$'000	2016 US$'000
Rental income	244	394
Sundry income	1 594	247
Profit on disposal of property and equipment	7	-
Legal expenses recovered	4	-
Grant income	163	19
Bad debt recoveries	127	29
	2 139	**689**

25 OPERATING EXPENSES

	2017 US$'000	2016 US$'000
Employee benefit expenses (note 25.1)	(11 642)	(11 186)
Directors' fees	(145)	(157)
Audit fees	(110)	(109)
Security expenses	(1 197)	(1 179)
Repairs and maintenance costs	(607)	(468)
Printing and stationery	(594)	(331)
Software licence fees	(846)	(706)
Consultancy charges	(245)	(390)
Insurance	(528)	(564)
Motor vehicle fuel	(436)	(382)
Subsistence and travel	(744)	(422)
Advertising and subscriptions	(898)	(504)
Telecommunication and postage charges	(766)	(525)
Networking and data charges	(355)	(250)
Hire of services	(365)	(319)
Equipment hiring charges	(83)	(121)
Bank charges and cash in transit charges	(738)	(902)
Office cleaning expenses	(185)	(177)
Electricity and water charges	(260)	(275)
Rent and rates	(589)	(657)
Legal expenses	-	(114)
Public relations expenses	(157)	(104)
Depreciation of property and equipment (note 10)	(1 501)	(1 238)
Amortisation of intangible assets (note 11)	(438)	(500)
Periodicals and entertainment	(42)	(33)
Other operating expenses	(7)	-
Unrealised exchange losses	(2)	(65)
Loss on disposal of property and equipment	-	(26)
Bad debts written-off	(336)	(639)
	(23 816)	**(22 343)**

25.1 Employee benefit expenses

Salaries and wages	(7 295)	(6 786)
Pension costs (note 27)	(864)	(824)
Staff bonus	(612)	(545)
National Social Security Authority scheme contributions (note 27)	(142)	(139)
Medical aid expenses	(802)	(760)
School fees allowances	(262)	(218)
Government training levy	(184)	(171)
Retention allowances	(145)	(203)
Gratuities	(154)	(295)
Housing and other allowances	(484)	(346)
Workmen's compensation	(88)	(70)
Training expenses	(225)	(176)
Staff refreshments expenses	(81)	(73)
Staff uniforms	(6)	(127)
Staff commission	(79)	(97)
Movement in provision for leave pay (note 17.1)	(166)	(181)
Recruitment costs	(29)	(28)
Group accident insurance	(13)	(30)
Sports and recreation	(11)	(7)
Other staff expenses	-	(110)
	(11 642)	**(11 187)**

The average number of persons employed by the Bank during the year was 467 (2016 : 475).

26 COMMITMENTS AND CONTINGENCIES

26.1 Loan facility commitments

	2017 US$'000	2016 US$'000
Facilities approved but not drawn down	676	1 904

Commitments to lend are agreements to lend money to a customer in future, subject to certain terms and conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of the agreed facility limits by giving reasonable notice to the customer. The following represents the contractual amounts of the Bank's off-statement of financial position financial instruments which commit the Bank to extend credit to customers.

26.2 Financial guarantees

	2017 US$'000	2016 US$'000
Guarantees	332	275
Maturity analysis		
Due within 1 month	10	-
Due between 1 month and 3 months	130	170
Due between 3 months and 1 year	192	105
	332	**275**

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit guarantees and acceptances.

27 PENSION AND RETIREMENT BENEFITS

The Bank operates a defined contribution pension plan administered by Marsh Employee Benefits Zimbabwe (Private) Limited. The Bank and employees contribute 12.7% and 7.5% of qualifying salaries respectively. The assets of the fund are held in a separate trustee administered fund.

In addition, the National Social Security Authority Scheme ("NSSA") was introduced on 1 October 1994 and with effect from that date all employees became members of the scheme to which both the employees and the Bank contribute. The Bank's obligations under the scheme are limited to specific contributions as legislated from time to time.

The amounts recognised in the income statement as contributions by the Bank to the plans during the year are as follows:

	2017 US$'000	2016 US$'000
Pension contributions	864	825
National Social Security Authority scheme contributions	142	139
	1 006	**964**

28 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows liabilities arising from financing activities for which cash flows were, in the statement of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing activities

	2016 US$'000	Cash flows US$'000	Non-cash changes Interest accrued US$'000	Non-cash changes Deferred upfront and raising fees movement US$'000	2017 US$'000
Long-term borrowings	54 788	(35 911)	2 923	292	22 092
Total liabilities from financing activities	**54 788**	**(35 911)**	**2 923**	**292**	**22 092**

29 RELATED PARTIES

The Bank is controlled jointly by the Ministry of Finance and the Ministry of Agriculture who each hold 50% of the Bank's shares. Other related parties are those entities who share common shareholders with the Bank. Year end balances arising from transactions with related parties are as follows:

29.1 Deposits from related parties

	2017 US$'000	2016 US$'000
National Social Security Authority	6 832	7 521
National Aids Council	3 938	3 115
Agricultural Marketing Authority	3 053	1 379
Lupane State University	239	151
Reserve Bank of Zimbabwe	16 474	25 000
SMEDCO	2 285	-
National Building Society	600	-
Municipality of Chinhoyi	391	-
Municipality of Chegutu	130	-
Rural Electrification Agency	71	-
Grain Marketing Board	510	566
Tobacco Industry and Marketing	1 020	200
Tobacco Research Board	-	300
	35 543	**38 232**

Deposits from related parties are at the Bank's normal borrowing rates, terms and conditions.

29.2 Commission income

	2017 US$'000	2016 US$'000
Reserve Bank of Zimbabwe	**25**	**-**

Commission income from related parties relates to agency commission received from the Reserve Bank of Zimbabwe.

29.3 Key management compensation

	2017 US$'000	2016 US$'000
Directors' fees	145	157
Short-term employee benefits	2 418	2 096
	2 563	**2 253**

Key management includes directors executive and non-executive.

29.4 Loans and advances to directors

	2017 US$'000	2016 US$'000
Carrying amount as at 1 January	142	186
Repayments	(142)	(44)
Carrying amount as at 31 December	-	**142**

Loans and advances to directors were at the Bank's normal lending rates, terms and conditions. There were no allowances for impairment required for loans and advances to directors.

30 EVENTS AFTER REPORTING DATE

There are no events after the reporting date which have an effect on these financial results.

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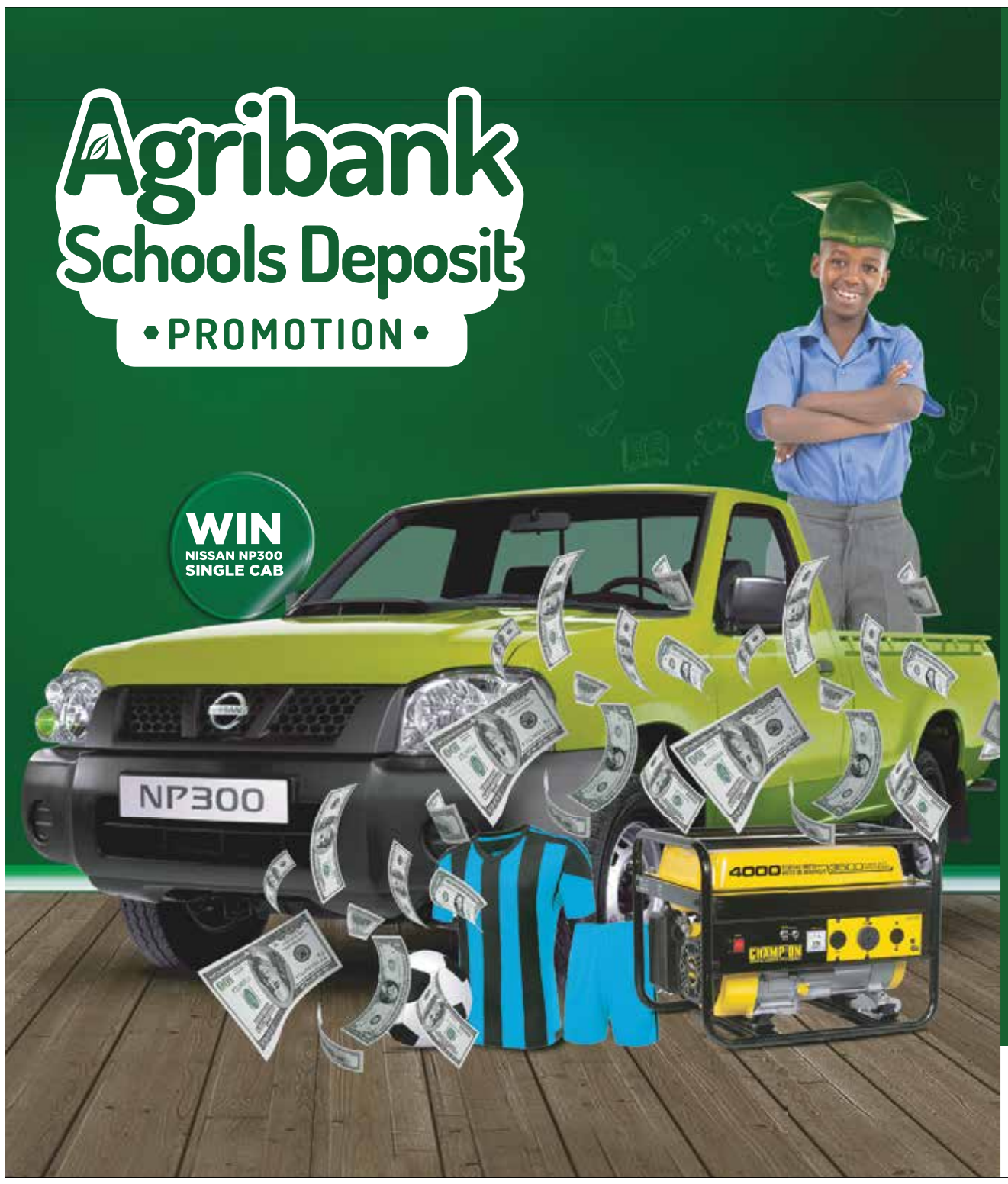

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