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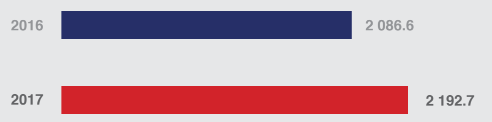
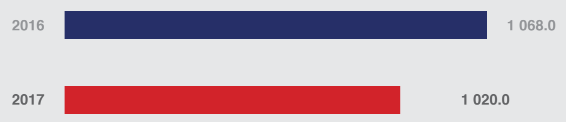
GROUP SALIENT FEATURES

Financial Highlights

Total Assets (US$ million)

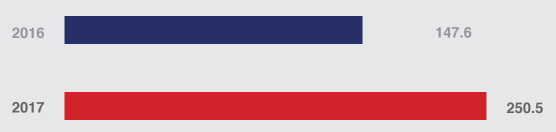


Gross advances (US$ million)



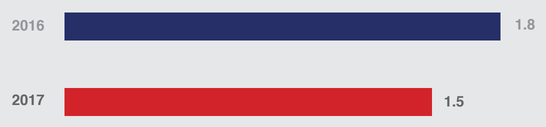
Total deposits (US$ million)

Funds Under Management (US$ million)

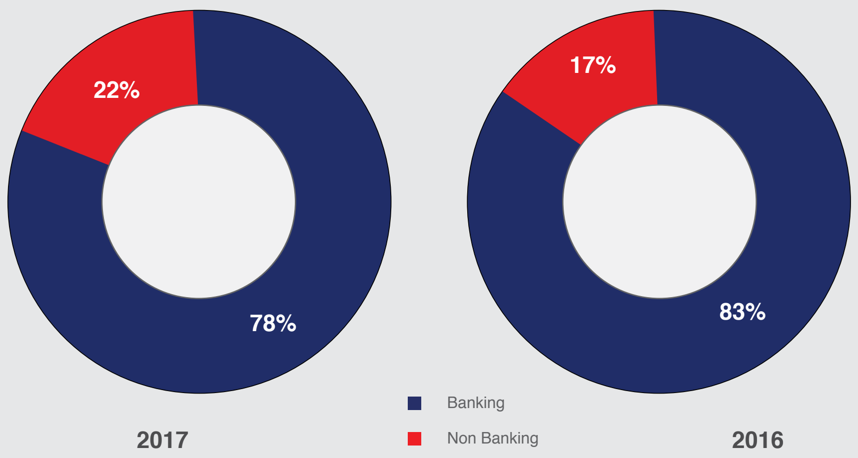


Insurance assets- CBZ Insurance (Private) Limited (US$ million)

Life fund-CBZ Life (Private) Limited (US$ million)



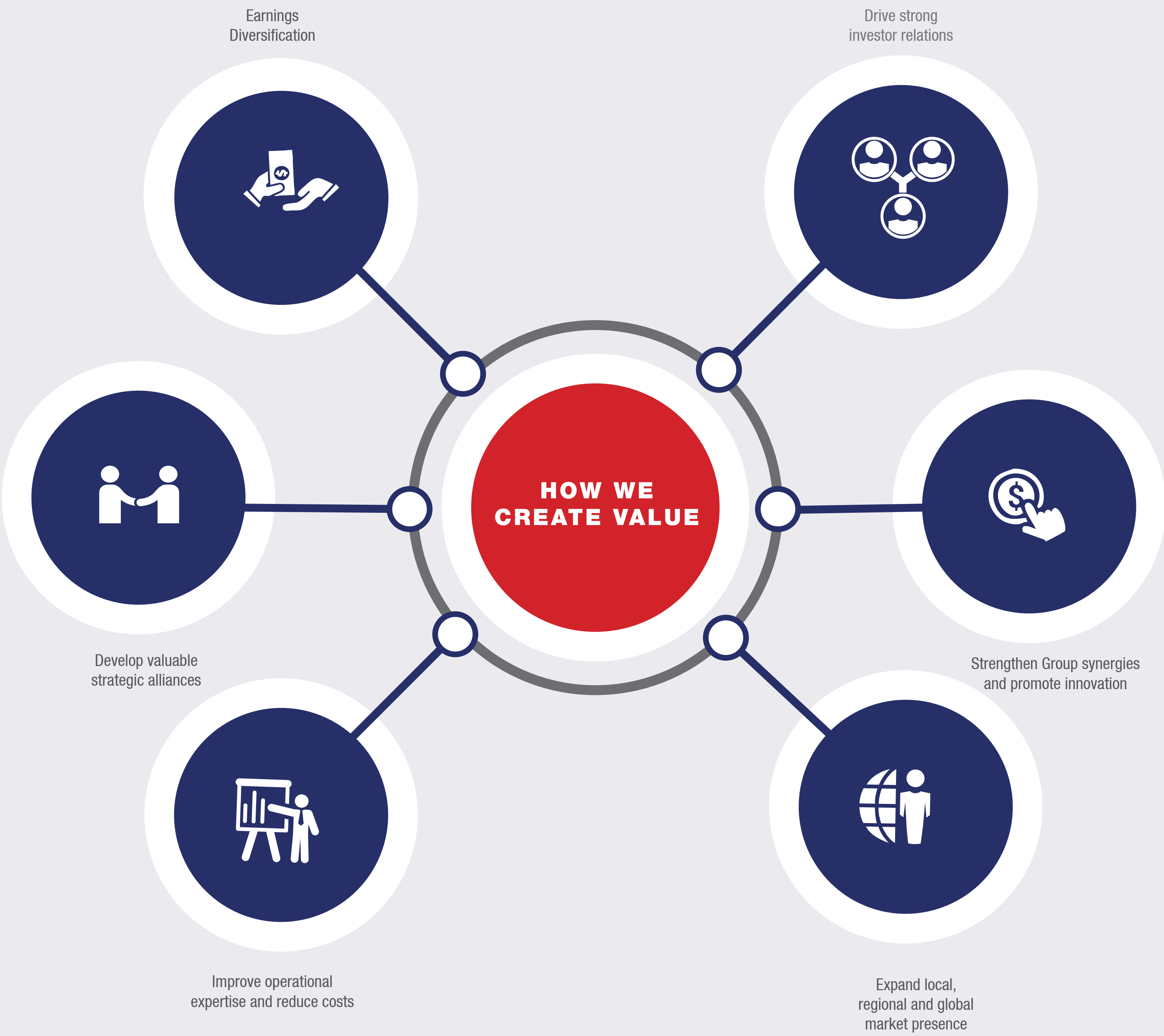
Contribution to Profit After Tax



Key Ratios

Return on assets	Return on Equity	Cost to income
1.2%	9.0%	63.9%

HOW WE CREATE VALUE



In conducting its business, the Group identifies key value pillars which drive current and future growth. Effective implementation of these value drivers has seen the Group operating profitably over the years. We highlight on pages 4 to 9 , how these pillars have contributed to the Group's success by creating stakeholder value.

EARNINGS DIVERSIFICATION

> "The impact of our diversification into the properties and infrastructure markets, through CBZ Properties, is expected to be more evident in the medium term."

Earnings diversification remained a key focus area and long term target for the Group during the year 2017. We seek to diversify our earnings through among other initiatives:

1.Building a diverse business portfolio, and
2.Underwriting more non funded business.

Thus, during the year 2017, we successfully operationalised and re-launched CBZ Properties as the Group's property & infrastructure development, management and valuations subsidiary. This allowed us to strategically position the Group to take a focused approach on the property and infrastructure market and, thus effectively execute current and anticipated opportunities as they arise. CBZ Properties is already involved in a number of property and infrastructure development initiatives in both residential and commercial property segments across the country. The Group closed the year 2017 with a portfolio of completed and selling projects in Gweru (Mtausi & Nehosho), Kwekwe (Mbizo), Vic Falls and Harare (Westgate).

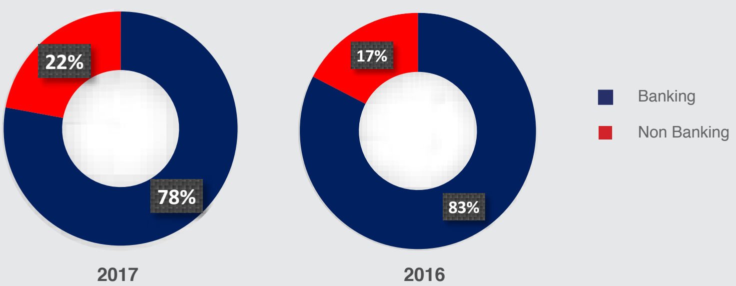
We expect to expedite the following projects in 2018:

- Marondera – housing.
- Bulawayo – housing.
- Mazowe – housing.
- Harare - Agro plots.

The impact of our diversification into the properties and infrastructure markets, through CBZ Properties, is expected to be more evident in the medium term.

Meanwhile, the contribution of non-banking subsidiaries to Group profit after tax stood at 22.1% in 2017. This compared favorably to the 15.0% and 17.4% that we achieved in 2015 and 2016, respectively. The increase in the contribution of non-banking units to profit after tax reflected our success in growing the Funds Under Management "FUM" and underwriting profit in the Asset Management and insurance segments, respectively.

Contribution to Profit After Tax



STRENGTHEN GROUP SYNERGIES & PROMOTE INNOVATION

> "We enhanced our CBZ Touch and extended the solution to our SME customers so that they enjoy the exceptional customer experience from our digital platforms"

The major innovations that we launched in 2016 continued to receive notable support from our valued customers. Our game changing digital bank – CBZ Touch – recorded 818% increase in active subscribers as we successfully migrated the bulk of our individual customers to digital platforms. In line with our digital strategy, and our drive to ensure customer convenience and customer satisfaction, we also launched the following during the year 2017:

1. We enhanced our CBZ Touch and extended the solution to our SME customers so that they enjoy the exceptional customer experience from our digital platforms.
2. We developed and started pilot testing a low cost, innovative mobile Point of Sale (mPOS) solution to our SMEs and informal sector customers.
3. We, as part of our business model innovation, officially launched the CBZ Life Employee Benefits range of products.
4. We launched another remittances partnership with World Remit, to augment our partnerships with MoneyGram and Mukuru.
5. We extended our customer touch/ service points by launching six Self Service Centres, with WiFi Hot Spots, across the country.
6. We introduced Paperless Banking, and largely went paper-thin, in our bank branches.
7. We launched Premium Finance, Equity Release and Hospital Cash products.

Our drive to promote synergistic growth was undoubtedly strengthened by the operationalization of CBZ Properties and the official introduction of the Employee Benefits business line under CBZ Life. These will go a long way in unlocking more opportunities for cross selling and upselling of products and services. During the year 2017, we also took a deliberate tactic to reprioritise our strategic projects, especially the planned systems automations and process redesigns, in order to better allocate resources and meet the growing expectations of our customers and shareholders under a challenging operating environment.

DEVELOP VALUABLE STRATEGIC ALLIANCES

> "We remain open to partnering with like-minded institutions in all our endeavours and we are confident that our initiatives will make a difference in the communities that we operate in."

We continued to follow our guiding principle that alliances created out of mutual understanding result in greater value for all stakeholders.

Subsequently, in the banking segment, we managed to increase our merchants, alliances and agents by 92% to end the year at 5 748. This enabled us to increase our Point of Sale "POS" population by 81% to 7 650. Our business banking segment also continued to strengthen its existing relationships with key funding partners such as the Zimbabwe Agricultural Development Trust (ZADT).
In the Life assurance segment, we maintained a strong agency distribution. This was in addition to the partnerships with the country's major retailers.

In the short term insurance segment, we continued to look for mutually beneficial partnerships to develop new business and increase our distribution channels. We expect our efforts to start bearing fruits during the year 2018.

Meanwhile, following our successful organising and hosting of the inaugural 2016 Youth Entrepreneurship program "YEP", we again hosted the second edition of the YEP during the year 2017. We believe that this initiative is a key step towards not only empowering, nurturing and skilling our youths, but also towards creating future markets and customers for our various business units.

We remain open to partnering with like-minded institutions in all our endeavours and we are confident that our initiatives will make a difference in the communities that we operate in.

DRIVE STRONG INVESTOR RELATIONS

> "Our shareholder base has remained stable and committed to the Group."

The Group continues to maintain strong relationships with its past, present and future investors. As part of our efforts to increase value for this critical stakeholder, we strengthened our Investor Relations programmes during the year and going forward.

We have continued to improve and align our corporate reporting and governance structures that have resulted in the Group being awarded a number of accolades for the financial year ended 31 December 2017 as shown on page 25.

CBZ Holdings continues to perfect and improve its Annual Integrated Report, which now incorporates a full sustainability report, which provides more information about our various initiatives to both the community and the environment at large. This was part of our effort to communicate clearly, accurately, credibly as well as provision of consistent information about CBZ Holdings to the community, with the aim of ensuring all investors have access to information, enabling them to make informed decisions, which should result in the entity's security trading at fair value.

Our endeavour to build relationships with buy and sell- side analysts, portfolio managers, regulators, rating agencies, the media and the community at large, saw the Group continue to improve its performance.

We believe in building a high quality shareholder base to ensure long term access to diversified and low risk sources of capital. As a result, CBZ Holdings continued to improve and enlarge its communication channels with investors by releasing updates on the Group's performance and projects through various media channels.

Our shareholder base has remained stable and committed to the Group. Shareholders have received value through an increase in returns, which has resulted in an increased dividend yield year on year as our dividend cover continues to increase in line with our commitment to reward our investors.

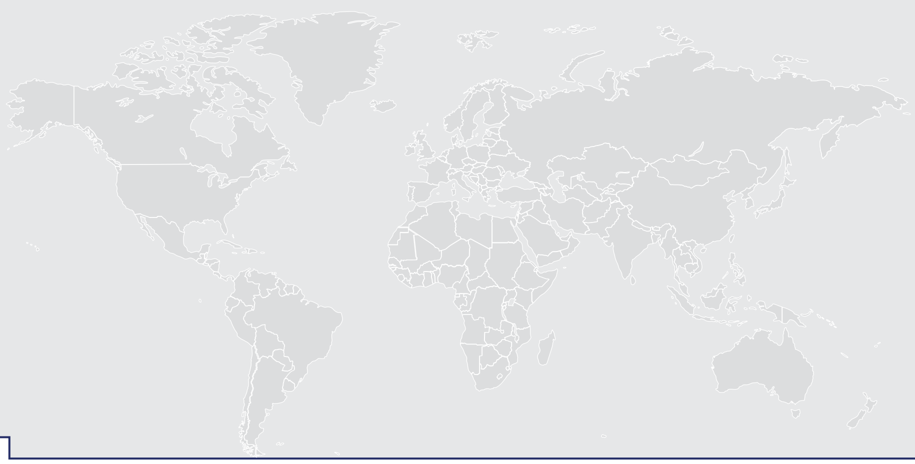
The Group's thrust to develop trust and credibility in the capital markets, saw senior management holding analysts briefings during the year, complimented by a number of analysts briefing follow up meetings which were meant to enhance investor engagement and interaction with the Group. We also continued to engage our regulators on issues of regulations and codes of practice. Global Credit Rating, an external rating agency, rated all the Group's major subsidiaries for the third consecutive year with all the units maintaining or improving their ratings.

EXPAND LOCAL, REGIONAL AND GLOBAL PRESENCE

> "The Group continued to tactfully pursue its global reach strategy and successfully concluded an additional remittances partnership with World Remit for Diaspora customers."

We continued to tactfully pursue our global reach strategy and successfully concluded an additional remittances partnership with World Remit for our Diaspora customers. Additionally, we strived to maintain our correspondent banking relationships across the globe, and this enabled us to support the trade finance requirements of our importing and exporting customers.

Meanwhile, in terms of regional presence, we took a deliberate strategy to slow down on this initiative and focus on the local market. However, the Group remains well positioned to pursue opportunities as they arise.



IMPROVE OPERATIONAL EXPERTISE AND REDUCE COSTS

> "The Group recorded a cost to income ratio of 63.9% in 2017, an improvement from 69.6% reported in 2016."

The continued deterioration in the operating environment during the year 2017 meant that the Group had to improve its operational expertise otherwise it would be left with very limited levers to improve on performance and simultaneously finance its growth strategies. Subsequently, the Group embarked on multi-pronged operational strategies aimed at positioning the organisation to preserve shareholder value and realign cost structures, whilst at the same time maintaining prioritisation for essential business expansion.

The Group thus embarked on a strategy to Reduce, Re-organise and Optimise (RRO) its cost structures, with the aim of reducing the Cost to Income ratio to the strategic range of between 55-60% by 2019. This financial strategy resulted in a cost to income ratio of 63.9% in 2017, an improvement from 69.6% reported in 2016.

The Group will continue to pursue strategies that aid operational excellence and reducing costs, in line with the changes in the operating environment and the revenue generating capabilities.

GROUP COMMUNICATION STATEMENTS

NOAH MATIMBA

GROUP CHAIRMAN`S STATEMENT

I am pleased to present to you the financial results for CBZ Holdings Limited and its subsidiaries, for the year ended 31 December 2017.

Economic Growth

The Government of Zimbabwe estimated the economy to have grown by 3.7% in 2017, up from 0.6% in 2016. Notable output increases were recorded in the agricultural, mining and infrastructure sectors due to Government support facilities, private sector investments and a recovery in commodity prices. However, the absence of suitably structured long term capital and low levels of investment continued to constrain broad based economic activity, thereby limiting the country's growth potential. Furthermore, manufacturing sector capacity utilisation declined from 47.4% in 2016 to 45.1% in 2017.

Financial & Capital Markets Developments

Goods Market

According to the ZIMSTAT, the annual average inflation rate rose from (1.6%) in 2016 to 0.9% in 2017, marking the end of a prolonged period of deflation and achieving a near 6 year high of 3.5%.

Money Market

Broad money supply grew by 42.2% from US$5.64 billion in December 2016 to US$8.02 billion in November 2017. The rise in money supply resulted in an improvement in domestic liquidity conditions, but the limited availability of cash resulted in inefficient allocation of resources. The average lending rates for individuals and corporates fell from 11.14% and 7.12% in 2016 to 9.14% and 6.92% in 2017. Savings rates for 1-month and 3-months deposits also fell from 5.96% and 6.39% in December 2016 to 4.4% and 4.62% in December 2017, respectively, as financial institutions re-priced liabilities in order to preserve optimal margins. The decline in savings rates also reflected the improvement in domestic liquidity conditions.

Foreign Exchange Market

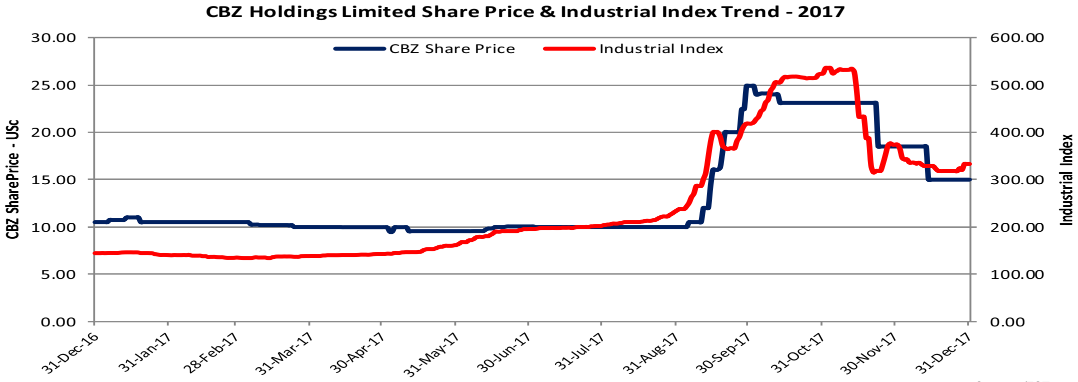
The Central Bank introduced short term measures to boost the country's exports and foreign currency generation capacity, as part of efforts to address the foreign currency shortages. The measures included expansion and extension of the export incentive scheme and the US$600 million NOSTRO stabilisation facility.

Property Market

Activity remained skewed towards retail and residential property development. Provisional figures indicate that the banking sector funded a total of 5 700 housing units valued at $172.1 million in 2017, up from 1 531 units valued at US$75.0 million in 2016. However, the shortage of cash and foreign currency, on the back of rising inflation fears and general uncertainty adversely affected the performance of the sector.

Stock market

The industrial and mining indices rose by 130.4% and 143.4% to end the year at 333.02 and 142.4, respectively. Market turnover also increased by 258.3% to US$694.9 million in 2017. CBZH stock trended in line with the market, rising to a high of USc25 in September 2017 before receding to end the year 42.9% higher at USc15. The graph below shows the trend in the CBZH share price and the benchmark industrial index during the year 2017



Source: ZSE

Public Sector Developments

Government's net revenue collections improved by 15.5% to US$3.75 billion in 2017, from US$3.25 billion in 2016. This was driven by enhancement of tax collection measures by the Zimbabwe Revenue Authority. The improvement in revenue collections assisted towards stabilising Government cash-flows, thereby improving Government's ability to meet its obligations. However, the low fiscal space continued to limit the Government's developmental budget, and thus, its ability to crowd-in the private sector and grow the economy through public-private-partnerships.

Socio-Political Developments

The socio-political environment remained generally stable during the period under review. Government re-engagement efforts with the international community were stepped up during the last quarter of the year, resulting in an opening up of new possibilities for the economy. The stable socio-political environment also enhanced the company's ability to positively contribute towards the national financial inclusion drive.

Overview of the Group's Performance

	Audited Year Ended December 2017	Audited Year Ended December 2016
Key Financial Highlights	**US$m**	**US$m**
Profit after taxation	27.8	23.8
Total comprehensive income	29.7	24.2
Total assets	2,192.7	2 086.6
Total equity	309.7	283.1
Total deposits	1,853.7	1 777.2
Total advances	941.4	1 007.2
Other statistics		
Basic earnings per share (cents)	5.4	4.5
Non interest income to total income (%)	52.2	43.4
Cost to income ratio (%)	63.9	69.6
Return on assets (%)	1.2	1.4
Return on equity (%)	9.0	8.7
Growth in deposits (YTD%)	4.3	5.5
Growth in advances (YTD%)	(6.5)	(1.4)
Growth in PAT (YOY%)	17.0	(32.5)

Governance & Directorship

The primary role of the Board is to bring an independent view and provide oversight to the company. The Board also gives direction and sets targets for management whilst ensuring that a robust governance structure is in place and is effective. Mr. William Annandale, Mrs. Varaidzo Zifudzi and myself joined the Board during the year as new members. Mr. Never Nyemudzo the Group Chief Executive Officer resigned from the Board following his retirement from the company in December 2017. The Board wishes to express its utmost gratitude for the contribution Never made to the company and wish him well in his new pursuits.

In line with regulatory requirements, the following members were retired from the Board after having served for more than 10 years within the Group: Ian Harris, Richard Zirobwa and Dr Ruvimbo Mabeza-Chimedza. Rebecca Pasi and Richard Dawes moved to the CBZ Bank Limited Board and CBZ Life Board respectively. We thank them for their dedication and service.

Dividend

In line with the Group's dividend growth policy and considering the need for prudent capitalisation and liquidity management, the Board has proposed the declaration of a final dividend of $1 762 371. Having declared an interim dividend of $1 762 371, this translates to an annual dividend of $3 524 742, a 10% growth from the prior year.

Outlook

The 2018 National Budget and Monetary Statements were premised on the creation of an open environment for business. The benefits arising from the open environment are likely to remain subdued in the short to medium term due to foreign currency shortages, inflationary pressures and slow uptake to the call for new investment driven by the re-engagement process with the international community. The Company will in the short to medium term place emphasis on productivity enhancements whilst exploring opportunities for growth in its various business value streams.

Appreciation.

My appreciation goes to our valued clients, who are the mainstay of our success. I also thank the Group Board, Boards of Group companies, Management and Staff for their continued dedication during the year.

....

Noah M Matimba

Chairman

15 March 2018

PETER ZIMUNYA

ACTING GROUP CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report on the performance of CBZ Holdings Limited for the year ended 31 December 2017. The operating environment in Zimbabwe, our predominant market, remained largely challenging for the greater part of the year. Foreign currency shortages became more pronounced, whilst inflation fears and inflationary pressures re-emerged, thereby leading to widespread market distortions during the period September to October 2017. However, in spite of these challenges, the Group managed to record another set of commendable financial performance. This affirmed the strength of the Group's strategy, its ability to manage strategic risks, and the positive impact of the continued support from all stakeholders.

Group Performance

The table below summarises the Group's performance as well as that of its respective subsidiaries.

Unit	Total Assets US$m	Net Profit Before Tax US$m	Shareholders' Funds US$m
CBZ Bank	1 991.52	24.04	188.11
CBZ Life	18.58	3.71	17.71
CBZ Insurance	13.22	1.11	7.31
CBZ Asset Management	3.72	0.87	3.26
Group (Consolidated)	2 192.66	27.12	309.69

Strategic Overview

Whilst the aforementioned deterioration in the operating environment demanded some strategic realignment and refocusing, the Group largely continued to execute its strategy, centred on tech-driven solutions, innovation, global reach, portfolio and earnings diversification, human capital development, liquidity management and cost containment. Subsequently, the Group managed to create value for its shareholders and other stakeholders as follows:

STRATEGIC FOCUS AREA	ACHIEVEMENTS
Earnings diversification - building a diversified business portfolio	One of the ways through which we seek to achieve earnings diversification is through building a diverse business portfolio. During the year 2017, we successfully operationalised and re-launched CBZ Properties as the Group's property & infrastructure development, property management and valuations subsidiary. Our interventions for the year 2018 will be centered on laying the foundation for CBZ Properties to effectively enhance the Group's positioning in the infrastructure market, wherein we envisage increased business opportunities should the ongoing economic reforms succeed in rejuvenating fixed capital formation in the economy. CBZ Properties is already involved in a number of property and infrastructure development initiatives in both residential and commercial segments.
Developing innovative products and tech driven solutions	Through our continuous investment in innovation, as part of our promise to "offer customer convenience and customer satisfaction by providing innovative, low cost products", we launched 6 Self Service Centres across the country. We also entered into partnerships with telecommunications operators for the provision of Wi-Fi hotspots in the Self Service Centres, for the smooth and convenient transacting of our valued customers. This innovative delivery channel also assisted in lowering the cost of delivering our products and service to our customers, and at the same time supports our transactional income growth. Innovation will remain central to our drive to develop and create new ways for our customers to access our wide range of products and services.
Global Reach	Due to the aforementioned deterioration in the local market conditions, we took a tactical decision to slow-down on our Global Reach Strategy. However, we managed to maintain and grow our relationships with the key money transfer agencies; namely MoneyGram, World Remit and Mukuru, for the benefit of our Diaspora customers who remit funds back into Zimbabwe. We also managed to maintain our corresponding banking relationships during the period under review, which enabled us to continuously meet our customers' trade finance requirements. Our target to export products and services, as well as establish physical presence in some growth markets remains central to our long term strategy, and we will continue to monitor developments both locally and regionally inorder to take on opportunities as they arise.
Earnings quality	During the year 2017, we continued with initiatives to enhance the quality of our earnings. In the banking segment the initiatives included the further strengthening of: 1. our recoveries function 2. the loan origination process 3. our loan monitoring In the insurance segment, the focus was on underwriting more quality business through increase in the number of products and distribution channels. The full impact of these initiatives is expected to start to be felt from 2018 going forward.

Corporate Social Responsibility

The Group continued to follow Corporate Social Responsibility (CSR) policies and initiatives that are consistent with the standards that are espoused in ISO 26000:2010. Our CSR efforts were premised on the seven key pillars of CSR namely: Organizational Governance, Human Rights, Labour Practices, Fair Operating Practices, Consumer Issues, The Environment and Community Involvement & Development (also referred to as Corporate Social Investment). The Group closely monitored the impact of its operations on the environment and worked closely with the responsible authorities and relevant stakeholders to ensure compliance with all legal requirements. During the year 2017, The Group ensured that all our property development projects continued to be done in an environmentally friendly manner. The Group also went paper thin, by introducing paperless banking in our branches and adopting a digital strategy. In addition, our staff members also participated in various volunteering initiatives throughout the year. The inaugural CBZ International SMEs Indaba and the second CBZ Youth Entrepreneurship Program "SYEP" summed our major initiatives for the year. Through the SME indaba, we aim to enhance the growth prospects of our SME customers by creating a market place and business linkages.Through the YEP, we are capacitating our youth entrepreneurs and at the same time creating future markets for our business units.

Community involvement

CBZ Holdings (CBZH) is passionate about giving hope to the marginalised in the community. Our focus is identifying viable and sustainable initiatives that are driven by the communities themselves. Our hashtag **#partnershipswithpurpose** resonated in all our community centred initiatives in 2017.
Our key focus areas were the following:

- Education
- Human Welfare
- Health
- Sporting Excellence
- Staff Volunteering

Governance

The Group recognises the need to conduct its business with integrity and in line with best corporate governance practices. The Group continues to apply high corporate governance standards aimed at ensuring the ongoing sustainability of the business and the creation of long-term shareholder value. The CBZ Holdings Limited Board is responsible for ensuring that the Group has a clearly defined governance and compliance framework.

Our Staff

The Group believes that its success lies in a highly capable, innovative, motivated and empowered workforce that is geared to add value to its business by fully applying their valuable knowledge, talents and skills. Central to the Group's Human resources development strategy is the alignment of our talent profile with our business strategy, corporate goals and objectives. This involves developing commitment to our customer-centric outlook and high engagement levels with our clients in order to be able to provide appropriate, tailor made financial solutions coupled with exemplary service. Our staff are committed to serving our customers as shown in 2017 by maintaining excellent service to our customers. The dedication and clear focus of our staff were critical to our delivery of strong performance despite a highly volatile and challenging environment. We continue to align our human resource development processes with future operational developments through, among other means, bringing competency development targets into line with strategic priorities.

Outlook

I believe that our 2017 financial performance demonstrates the strength of our long term strategy. Going into 2018, the economy in particular is at an inflection point and the Group's long term strategy remains sound. Given past interventions such as investment in ICT systems and innovation, the business efficiency project and the culture transformation project, the company is well prepared to manage legacy risks, and simultaneously take advantage of new opportunities as they arise.

Appreciation

My appreciation goes to all our stakeholders – the shareholders, the Government, the regulators, and the communities in which we operate, and most importantly, our customers for entrusting us with their business. I also thank the entire leadership team, the Group Board and Subsidiaries Boards for provision of direction and last, but not least, the CBZ employees without whom we could not have delivered on our promise to our customers.

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P Zimunya

Acting Group Chief Executive Officer

15 March 2018

CORPORATE PROFILE

BUSINESS OVERVIEW

Group Overview

CBZ Holdings Limited was established in 1980 as the Bank of Credit and Commerce Zimbabwe Limited (BCCZ). This was a joint venture between the Government of Zimbabwe "GoZ" and the Bank of Credit and Commerce International Holdings Limited (BCCIH). The company grew organically and through acquisitions to become a diversified financial services Group.

Group Business Model

Our ultimate objective is to become a client centric business that creates Partners for Success in all the market segments that we operate in.

Our diversified business portfolio, which incorporates Banking, Asset management, Properties, Assurance and Insurance, is well supported by our continuous investment in Research and Development (R&D), innovation and human capital development.

Our deliberate approach to integrate customer input and feedback into our decision making processes enables us to anticipate our customers' evolving needs and preferences. Resultantly, we are able to continuously develop and offer products and services that address our customers' unique, and collective, tastes.

Our financial strength and scale of operations, built through years of active participation in financial inclusion, community development, stakeholder management and investment in sectors of strategic importance, enables us to play a bigger role in national development.

During the year 2017, our preferred business model yielded the following outcomes:

- Well capitalised and profitable business units.
- Creation of shareholder value through dividend declaration.
- Transformational partnerships in the SMEs and microfinance sector.
- Community development as evidenced by the various Corporate Social Responsibility (CSR) initiatives.
- Significant contribution towards financial inclusion and economic development, i.e.
    - Accounted for 24% of banking sector loans and advances,
    - Entrusted with 23.0% of the banking sector deposits,
    - Processed an unassailable 33% of the country's national payments,
    - Accounted for 6.0% of the insured population,
    - Accounted for 8.0% of the country's low cost accounts,
    - Entrusted with 6.0% of the country's Funds Under Management,
    - Entrusted with 18% of banking sector shareholder funds.

Our drive is to continue to build a business model that is premised on the one stop shop concept, single view of the customer, cross selling, common processes as well as effective and modern distribution channels.

Markets Analysis

Economic trends, demographics, regulatory requirements, shareholder risk preferences and social impact are the key pillars that determine our strategy.
Our predominant market is Zimbabwe, wherein the economy is relatively diversified. Mining, agriculture, manufacturing and tourism contribute immensely to both economic growth and foreign currency earnings. The construction, property, real estate and infrastructure markets generally perform below optimal levels due to the unavailability of suitably structured long term funding, whilst the SMEs and youths are key customer segments.

However, with the economy seemingly at an inflection point, we positioned the Group to effectively take advantage of potential opportunities in the infrastructure and properties market through operationalization of a fully-fledged property & infrastructure development company – CBZ Properties.

The Diaspora community continued to play a significant role in supporting private consumption through remittances, as well as broader economic development through project finance. Our product development and distribution channels, as well as investor engagements were, therefore, carefully structured to incorporate this important market segment. We concluded our third remittances partnership with World Remit. We expect to deepen this, and existing partnerships, during the year 2018.

Our efforts to take advantage of current opportunities, as well as create future business for the Group, saw us organising and hosting the inaugural CBZ International SMEs Indaba, in March 2017, and the second CBZ Youth Entrepreneurs Program "YEP" in November 2017. These initiatives will go a long way in enhancing our efforts to strengthen our presence in the SMEs, Informal sector and Youths market segments. We will continue to utilise the CBZ Value Chain Financing Model as part of our efforts to support the development of sustainable business models in Zimbabwe.

Lastly, our digital strategy continued to be well received by the various market segments that we operate in. Our game changing mobile app, CBZ Touch, recorded a tremendous 818% growth in active subscribers. In line with our value proposition, and in view of the dominance of technology in our customers' everyday lives, we will continue to invest in tech driven solutions.

GROUP STRUCTURE

CBZ HOLDINGS LIMITED

CBZ Holdings Limited is a diversified financial services Group, listed on the Zimbabwe Stock Exchange (ZSE) with operations throughout Zimbabwe and employing 1 314 staff. The Group has subsidiaries in Banking, Insurance (long and short term), Asset Management and Risk Advisory. In addition, the Group has a significant property portfolio managed by its subsidiary, CBZ Properties (Private) Limited.

CBZ BANK LIMITED
100%
Commercial banking and mortgage financing

CBZ LIFE LIMITED
100%
Long term insurance

CBZ PROPERTIES (PRIVATE) LIMITED
100%
Property ownership, development and management

CBZ INSURANCE (PRIVATE) LIMITED
98.4%
Short term insurance

CBZ ASSET MANAGEMENT MAURITIUS
100%
Fund management and advisory services

CBZ ASSET MANAGEMENT (PRIVATE) LIMITED T/A DATVEST
100%
Fund management and advisory services

CBZ RISK ADVISORY SERVICES (PRIVATE) LIMITED
100%
Insurance broking and Advisory services

OUR SUCCESS

CBZ continues to enhance customer experience through digital enablement to complement the already existing digital infrastructure namely the integrated Mobile Application, 24-hour Contact Centre as well as our social media pages. We established and continue to roll out Self Service Centres in our branches to enable our clients to access internet services and transact on the go. As part of promoting our drive towards financial inclusion as well as increasing branchless accessibility to our services, the Group will be launching Mobile Point of Sale Devices (mPOS) - an initiative that will allow SMEs, sole proprietors and informal traders to be able to accept card payments and promote the usage of plastic money. This "Go Digital" strategy continues to bear fruit as per the below exponential growth trajectory:-

CBZ TOUCH & SOCIAL MEDIA

	2017	2016
CBZ Touch registrations	390,439	37,396
Facebook Fans	80,500	24,500
Twitter Followers	5,501	2,390
YouTube subscribers	104	nil
LinkedIn subscribers	202	nil

AWARDS

The CBZ Group continued to be recognised by various local and international bodies for its outstanding performance and activities that permeated our various markets. The Group will continue to live the corporate values of Teamwork, Innovation, Integrity and Customer and Staff Focus to ensure continued growth in the future.

BUSINESS BANKING

- Best Bank Supporting MSMEs (ZNCC Mashonaland Chapter)
- Best Bank MSMEs (ZNCC Matabeleland Chapter)
- ZNCC National Winner- Winner – Best Bank Supporting MSMEs

CORPORATE SOCIAL INVESTMENT

- 2nd Runner up – ZNCC Sustainability Award
- Best Corporate Social Responsibility Award-Banking Sector

INSURANCE

- CBZ Insurance – 1st Runner up Top Companies Survey

EXHIBITIONS

- Best stand exhibited by a financial services institution (2017) – Zimbabwe Agricultural Society.

RETAIL BANKING & CUSTOMER SERVICE

- Service Excellence Award – Banking Sector Category – Contact Centre Association of Zimbabwe
- Mobile Money & Digital awards -Best Mobile Money and Digital Payments
- 1st Runner up-Buy Zimbabwe Bank of the Year.

INTERNATIONAL AWARDS

- Retail Bank of the Year – The European Magazine.
- Global Finance- Bank of the Year Zimbabwe 2017

MARKETING AWARDS

- 1st Runner-up - Best Integrated Promotional Awards for CBZ Touch campaign (print, radio and digital) – Marketers Association of Zimbabwe
- 1st Runner-up- Best Social & Digital Marketing Campaign for our #partnershipwithpurpose campaign – Marketers Association of Zimbabwe
- 2nd Runner-up – Best Print Advert of the year for CBZ Touch – Marketers Association of Zimbabwe
- 2nd Runner-up – Best Customer Engagement Excellency for our Omni-channel customer touch points – Marketers Association of Zimbabwe
- Superbrand of the year Banking sector (CBZ Bank) 2012 -2017

STAKEHOLDER OVERVIEW

SHAREHOLDERS	CLIENTS	STAFF
OUR PROMISE	OUR PROMISE	OUR PROMISE
“To deliver value to our investors through consistent, timely and accurate information complimented by growth in value through positive financial and non-financial growth”	“To develop a mutually beneficial relationship with our clients by listening and understanding their needs in order to provide them with a range of financial solutions that exceed their expectations”	“To attract, develop and retain key talent for growth and sustainability of our business operations while creating adequate human capital for future business needs”
RESULTS	RESULTS	RESULTS
• Held various local and International investor Meetings. • All subsidiaries rated BBB+ or better. • 10% dividend growth. • Recorded a 9.3% increase in shareholders’ funds.	• Launched the inaugural edition of the CBZ SMEs International Indaba to give a platform to SME clients to interact with their local and global counterparts • Launched the second edition of the CBZ Youth Entrepreneurs Program “YEP” in support of youth entrepreneurs. The programme was piloted in 2 rural centres apart from the 10 provincial centres • The second edition of the CBZ Rewadz promo ran for the last quarter of the year to reward loyal clients who utilise our digital platforms	• A total of 1 069 staff members attended e-learning training courses. • A total of 136 staff members were availed educational assistance for self- development to enhance their skills and contribution to the Group. • High staff retention underpinned by strong Industrial relations with a staff turnover rate of 3.23%.

REGULATORS AND GOVERNMENT	COMMUNITIES
OUR PROFILE	OUR PROMISE
"To ensure compliance with statutory requirements through open, honest and transparent relationships. To minimise operational risk and participate in the development of the markets we operate in and the economy as a whole"	"To obtain information from our communities in order to create mutually beneficial and sustainable initiatives to improve and develop the lives and the environment of our communities"
RESULTS	RESULTS
2017 ICSAZ AWARDS • 2nd Runner Up-Best Shareholder Treatment Disclosures-CBZ Holdings • 1st Runner Up-Best Risk Management Disclosures-CBZ Bank • Merit Award-Best Board Governance Practice Disclosures-CBZ Bank	• A total of 69 university students were offered industrial attachment within the Group during 2017. • Launched the CBZ Highway Patrol Ambulance in partnership with the Traffic Safety Council Of Zimbabwe and the Ministry of Health & Child Care • Partnered the Albino Association of Zimbabwe in sourcing lotions and sunscreen for their membership

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS

ANALYSIS BY SHAREHOLDER TYPE

Industry	Holders	% of Holders	Shares	% of Shares
INDIVIDUALS	10 248	94.02	23 435 869	3.46
COMPANIES	399	3.66	345 760 606	50.31
NON RESIDENT	9	0.08	128 374 553	18.68
PENSION FUND	134	1.23	130 063 451	18.93
DIRECTORS	5	0.05	154 923	0.02
NOMINEE COMPANY	44	0.40	13 872 775	2.02
INVESTMENT TRUST AND PROPERTY COMPANIES	43	0.39	1 923 123	0.28
INSURANCE	19	0.17	43 294 195	6.30
Total	**10 901**	**100**	**686 879 495**	**100**

Size of Shareholding	Holders	% of Holders	Shares	% of Shares
0 - 5 000	9 808	89.97	7 335 977	1.12
5 001 - 10 000	445	4.08	3 237 834	0.47
10 001 - 25 000	330	3.03	5 185 656	0.75
25 001 - 100 000	175	1.61	9 000 480	1.31
100 001 - 200 000	30	0.28	4 187 666	0.61
200 001 - 500 000	55	0.50	17 561 944	2.56
500 001 and over	58	0.53	640 369 938	93.18
Total	**10 901**	**100.00**	**686 879 495**	**100.00**

CONSOLIDATED TOP 10 AS AT 31 DECEMBER 2017

SHAREHOLDER	Shares	% of Total
CBZ HOLDINGS LIMITED	168 981 847	24.58
GOVERNMENT OF ZIMBABWE	110 000 000	16.01
LIBYAN FOREIGN BANK (NEW NON RESIDENT)	96 609 470	14.06
NATIONAL SOCIAL SECURITY AUTHORITY	80 499 805	11.71
PIM NOMINEES (PRIVATE) LIMITED	46 019 668	6.70
OLD MUTUAL LIFE ASS CO ZIM LTD	37 441 098	5.45
STANBIC NOMINEES (PRIVATE) LIMITED NNR	29 797 145	4.34
PIM NOMINEES - NNR	11 827 888	1.72
SCB NOMINEES	10 535 654	1.53
STANBIC NOMINEES (PRIVATE) LIMITED	9 767 947	1.42
TOTAL	**601 480 522**	**87.52**
OTHERS	**85 398 973**	**12.48**
TOTAL NUMBER OF SHARES	**686 879 495**	**100.00**

SHAREHOLDER INFORMATION

SHARE OPTION SCHEME

In a bid to empower staff, the Group launched a share option scheme on 1 June 2012. Employees were allocated share options, with the first batch for those with three or more years in service vesting on 1 July 2013. The table below shows the scheme's statistics as at 31 December 2017.

Description	Number
Total shares in scheme	40 000 000
Number of options accepted	32 345 000
Number of shares paid for to date	2 734 947
Number of shares paid for during the year	50 755
Total amount received during the year	US$4 472
Shares bought as % to date	6.83%

The uptake and exercise of share options is envisaged to increase as the scheme progresses and approaches expiration.

SHAREHOLDER'S CALENDAR

Financial year end	**31 December 2018**
ANTICIPATED DATES	
Half year's results to 30 June 2018	August 2018
Full year's results to 31 December 2018	March 2019
Annual Report and Annual General Meeting	May 2019

SUBSIDIARIES COMMUNICATION STATEMENTS

MIKE MUDONDO

CBZ BANK LIMITED

ACTING MANAGING DIRECTOR'S REPORT

Introduction

It is with great pleasure to report on the performance of CBZ Bank for the year ended 31 December 2017.

Financial Performance

The Bank reported a profit after tax of $25.4 million which was a 36% increase from the 2016 figure of $18.7 million. Total assets grew by 4.1% from $1.9 billion to $2.0 billion as at 31 December 2017.
The Bank's focus on cost reduction and containment strategies began to bear fruits with operating expenditure declining by 2.2% from $78.6 million in 2016 to $76.9 million for the year 2017. Income enhancement and cost containment measures have seen the cost to income ratio declining to 57% in 2017 from 66% in 2016.

Divisional Performance

Retail

The Bank continued to increase products and services offered to its valued customers and introduced the following products and services in 2017:

- World Remit money transfer service
- Rejuvenated Safe Deposit Facility
- Self Service Centers
- RBZ Loan facilities (to promote Horticulture and Exports)
- University Education Loan Facility
- Wifi Hotspots

The Bank managed to increase the volume of transactions in the year under review with over 59 million transactions being processed, translating to a 110% increase from the previous year. This was achieved by among other issues the roll out of 5,200 additional point of sale (POS) machines.

Business Banking Division

The Division's main thrust during the year was to focus on enhancing asset quality and taking on board new quality business. The following major highlights demonstrate the Banks focus on establishment of key alliances and enhancement of quality business:-

- The Division managed to successfully host the SME Indaba in Bulawayo with international exhibitors and speakers gracing the occasion. The Bank hosted over 500 participants at this Indaba. This has seen the Bank's partnership with the SME community strengthened. Going forward, the SME Indaba will be an annual event and will be hosted in Bulawayo.
- Disbursements under the Zimbabwe Agricultural Development Trust (ZADT) facility now stand at $4, 4 million against a target of $5 million. A number of initiatives are underway as the Bank works closely with consultants for ZADT to increase facility utilisation. The cumulative beneficiaries now stand at 431 clients.

The current trading environment is premised on the creation of an open business environment and the Division intends to ride on new business opportunities within the (Micro, Small to Medium Enterprises) MSME sector.

Operations

The Bank introduced automated non USD Incoming Real Time Gross Settlement (RTGS) payments. In addition the Bank introduced automated processes that have eliminated use of stationery for balance enquiries, cash withdrawals, RTGS and internal transfers.

Home Loans

The Division launched the home equity product which will enable clients to unlock value from their properties for home improvements, payment of children's school fees among other uses.

Notwithstanding the challenging economic environment, the Division remains positive to continue lending and delivering low cost housing developments across the country. New projects in pipeline will be rolled out in areas such as Marondera and Mahatshula in Bulawayo.

Custodial Services

The Division registered tremendous growth in business volumes during the year under review. The total portfolio of assets under custody for both Institutional Investors and Retail Clients increased by 153% from $304 million as at December 2016 to $773 million as at December 2017.

Looking into the future the Division will continue with its growth strategy by approaching new Institutional Investors and existing Corporate Clients. The Division will take advantage of the online platform for trading and settlement of trades on the Zimbabwe Stock Exchange being launched by the Securities Exchange Commission of Zimbabwe thereby creating a new income stream, further the Division will be pursuing a License to offer Trustee Services to our clients thus introducing another income line.

Performance Awards

During the year 2017 the Bank received various awards in recognition of the role it continues to play in enhancing access to financial services and pursuit of its vision of being the preferred provider of financial solutions in Zimbabwe with a global reach. Some of the awards received by the Bank during the period are:

- Retail Bank of the Year – The European Magazine.
- Super brand of the year Banking sector - Marketers Association of Zimbabwe
- Service Excellence Award – Banking Sector Category – Contact Centre Association of Zimbabwe.
- National Winner- Winner – Best Bank Supporting MSMEs (ZNCC)
- Best Bank Supporting MSMEs (ZNCC Mashonaland Chapter)
- Best Bank MSMEs (ZNCC Matabeleland Chapter)
- Best Stand exhibited by a financial services institution (2017) – Zimbabwe Agricultural Society.

Compliance and Risk Management

The Bank's core capital at $139.2 million is significantly above the minimum regulatory thresh hold of $25 million and the $100 million threshold effective year 2020. As at 31 December 2017 the Bank had a capital adequacy ratio of 24.36% against the 12% required by the Central Bank.

The Bank's liquidity ratio is above the minimum regulated ratio of 30% with ratio of 42.89%.

Outlook

Going forward the Bank will continue to leverage on its wide distribution channels and technologies to enhance transactional banking and non-interest income. Further the Bank will seek to enhance the quality of its earnings and assets by increasing its sources of income and strengthening its credit origination and monitoring processes.

Appreciation

I would like to express my appreciation to our valued clients, regulators, the Board, Management and Staff for the support during the year.

....

Mike Mudondo

Acting Managing Director

15 March 2018

JACK SMITH

CBZ ASSET MANAGEMENT T/A DATVEST

MANAGING DIRECTOR'S REPORT

Introduction

The operating environment in 2017 was characterized by significant volatility in most sectors of the economy. It is pleasing to note that in spite of this the Company performance remained positive.

Finances

The company's funds under management rose during the year from one hundred and forty seven million United States dollars (US$ 147 646 884) to just over two hundred and fifty million United States dollars (US$ 250 503 196). This represented an increase of sixty nine percent, which was commendable under the circumstances. The company's proprietary investments also delivered a reasonable performance in the year with an amount of eighty one thousand dollars (US$ 81 076) being earned during the year. The Company's cost containment efforts continue to meet with success where through a raft of measures the company was able to contain its costs at just over two million dollars (US$ 2 056 298) which represents a two percent (2.65%) increase in costs from the prior year but when viewed against annual inflation this figure is truly commendable. Consequently, the company achieved a profit before taxation of eight hundred and sixty seven thousand dollars (US$ 867 351).

Cost containment will continue to be a key goal in the year ahead and the management team is already in the process of putting in place measures to more closely monitor and control the company's cost base.

The company's capital position remains strong with total equity of over three million united states dollars (US$ 3 259 962) against the required Capital of five hundred thousand united states dollars (US$ 500 000).

Clients

The company's client base was largely stable during the year. The company's portfolios performed relatively well during the year returning a positive performance of over eighty percent (80%). This compared favorably with the industrial index benchmark of one hundred and thirty percent (130 %).

The company's investment philosophy is premised on delivering positive investment performance on a rolling three-year period and to remain in the upper quartile of performance during such periods. We believe that this allows portfolio decision making to be done with a long-term view and thus not be distorted by short-term volatility. Our client portfolios have achieved a performance of four hundred and ninety eight percent (498.81%) since dollarization allowing us to remain in the upper quartile of investment performance for this period.

Diversification and product development remain a core part of our investment strategy in the year ahead. Pressure on management fee rates remains a key concern for the industry in general.

Systems

Risk management is a key consideration in our daily transactions especially with the significant volatility being experienced in the country's capital markets. The company's flat organizational structure has meant that the management team has been intimately involved in all key company transactions reducing the overall level of risk.

The company's two board committees; - the Investment and Risk Management Committee and the Audit Committee have played a vital moderating role in ensuring our overall systems are compliant in all respects.

Audits carried during the year confirmed that the Company's systems remain robust and compliant with regulations.

Human Resources

The continued development of our people will be a key priority in 2018 as we seek to be at the forefront of our industry. Our clients are at the center of everything we do and only through adequate staff development will we be able to render the kind of quality service and performance our clients deserve.

Performance management will also be a key task in 2018 and this will allow us to constantly monitor our staff's progress through out the year.

Outlook

The company returned a strong performance for the twelve months ended 31 December 2017. This performance hinged on a disciplined approach to the company's key strategic objectives as well as a recognition of the importance of our clients to us. As such all key actions carried out during the year were aimed at delivering strong returns to our clients whilst ensuring risk was kept to appropriate levels. This is a delicate balancing act at the best of times but one, which we are confident we fully understand. The company is optimistic about the year ahead and will continue to safeguard and build on those funds placed with us. Our goal is to ensure that our clients' portfolios continue to show real growth in 2018 as they did in 2017.

I would like to extend my appreciation to the Board of Directors for their guidance during the year as well as staff for their hardwork and loyalty.

Finally, I would like to thank our clients for allowing us to partner with them in managing their wealth.

....

Jack Smith

Managing Director

15 March 2018

NORBET MURERIWA

CBZ INSURANCE OPERATIONS

MANAGING DIRECTOR`S REPORT

Introduction

I am pleased to report that the Group's Insurance Operations posted yet another commendable set of financial results in spite of the challenges in the operating environment.

Operating Environment and market analysis

The operating environment has negatively impacted the insurance sector. The economic performance remains low owing to weak domestic demand, and tight liquidity.

The Life assurance industry premium grew by 4% in 2017 compared to prior year with total Gross Premium Income for the year amounting to US$346.6 million, whilst the short term insurance industry also increased by 9.32% for the nine months to September 2017. Management is constantly looking to take up opportunities arising from the improvements in the business environment.

Financial Highlights

CBZ Insurance (Pvt) Ltd

Performance indicator	2017 (US$million)	2016 (US$million)	Change
Gross Premium Income	10.44	10.22	⇑
Net Claims incurred	2.30	2.41	⇓
Profit After Tax	2.38	0.91	⇑

The short-term insurer reported profit after tax of $2.38 million for the year ended 31 December 2017, 162% above prior year

CBZ Life (Pvt) Ltd

Performance indicator	2017 (US$million)	2016 (US$million)	Change
Gross Premium Income	10.09	9.56	
Net Claims incurred	(3.27)	(3.22)	
Profit After Tax	3.70	2.60	
Total assets	23.20	19.32	

The Life Assurance Company recorded a profit after tax of $3.7 million, a 42% increase compared to prior year.

Strategic Thrust of Insurance Operations

In the face of heightened competition, insurance operations units have invested significantly towards customer focused product development initiatives. The business expansion has been in pursuit of identified opportunities for sustainable growth, especially in the informal sectors of the economy. In anticipation of future business growth, focus has been on enhancement of delivery channels. Management is on the lookout for mutually beneficial partnerships to scout for business as well as redoubling efforts in soliciting for broker business.

Efforts to improve risk selection, strengthen distribution, and grow sales have begun to pay off and the Operations have become stronger, more efficient and sustainable, with increased business underwriting capacity. The strategies undertaken in 2017 positioned the business for continued growth in both market share and profitability.

We continue to expand our business where we see opportunities for sustainable growth, especially in the informal sectors of the economy. In anticipation of future business growth, the Insurance Operations have made significant progress in expanding their delivery channels. The strategies we took last year positioned us for an even stronger 2018, as we concentrate on our core priorities.

We have invested significantly towards driving customer focused product development initiatives. Our efforts to improve risk selection, strengthen distribution, and grow sales have begun to pay off. The Insurance Operations have become stronger, more efficient and sustainable, with increased business underwriting capacity.

CBZ Risk Advisory Services (Private) Limited

The insurance broking arm obtained regulatory approval during the year. All is set for the unit to positively contribute to the Group's performance in the forthcoming year.

Information technology

We continuously seek relevant technology that improves productivity and efficiency in line with our strategy to improve overall customer experience. To this end, enhancements and reviews to the appropriateness of current systems were undertaken during the year to ensure that the Insurance Operations remain technologically sound.

Credit rating

Both the Life and the Non-Life units were rated by the Global Credit Rating Company (GCR) in the year under review and the following ratings were awarded:-

- **CBZ Insurance (Private) Limited**
  Awarded the national scale claims paying ability rating of BBB+ (ZW), with the outlook accorded as Stable. The rating indicates a continuous improvement in the company's claims paying ability.

- **CBZ Life (Private) Limited**
  Awarded the rating of Financial Strength Rating of BBB+ (ZW), with a stable outlook indicating that the entity has strong financial security characteristics.

Customer focus

The Insurance Operations value policyholders as they are essential to the success of the business. The 24 hour Contact Centre launched in 2015 has enhanced customer convenience.

Our staff

Our human resources define our corporate image and are the company's interface with our clients. It is through them that our strategy is implemented. The Insurance Operations continue to invest significantly in human resources through a variety of training and development initiatives. This has ensured that competent and professional individuals continue to serve our clientele at all times. As our clients are at the centre of everything we do, we believe it is only through adequate staff development that we will be able to render the kind of quality service and performance our clients deserve.

Outlook

Management believe that the strategies undertaken in 2017 have positioned the Insurance Operations for an even stronger 2018. We continue to look at ways to simplify the organization to enhance the speed of executing our service to our valued customers. Product development and quality of service will continue to be key drivers of our performance. Strengthening of the selective underwriting business philosophy will also guide our risk management principles in doing business.

Appreciation

I wish to thank our valued clients for their continued support and for partnering with us in our joint successes.

I would also like to thank the Boards of the companies for their hard work, provision of direction and support to Management towards achieving our strategic goals.

To all our staff members, thank you for the hard work and commitment to the common objectives as evidenced by the good results. Let us remain focused and committed to our performance aspiration.

....

N. Mureriwa

Managing Director

15 March 2018

CBZ INSURANCE (PRIVATE) LIMITED
ACTUARY REPORT

as at 31 December 2017

STATUTORY INSTRUMENT 183 OF 2009
INSURANCE (AMMENDMENT) REGULATIONS, 2009 (NO.14)

I, James Olubayi, of Atchison Actuarial Services (Private) Limited, acting as the Appointed Actuary.

Certify that, as at 31 December 2017, this Actuarial Valuation for CBZ Insurance (Private) Limited has been prepared in accordance with the Guidelines to the Insurance Industry on Actuarial Valuations issued by the Insurance and Pensions Commission in Zimbabwe, as well as generally accepted actuarial principles.

I further certify that, as at 31 December 2017, CBZ Insurance (Private) Limited:

- Had Solvency capital above the minimum regulatory requirement in accordance with the Insurance Act and IPEC guidelines;
- Disclosed technical provisions that were calculated in accordance with prevailing guidelines and generaly accepted actuarial principles;
- Had appropriate assets in terms of the profile of its liabilities

....	....
James Olubayi	Assisted by Tawanda Chituku
Appointed Actuary: CBZ Insurance	**Senior Actuarial Consultant: CBZ Insurance**

15 March 2018

CBZ LIFE LIMITED
ACTUARY REPORT

as at 31 December 2017

STATUTORY INSTRUMENT 183 OF 2009
INSURANCE (AMENDMENT) REGULATIONS, 2009 (No. 14)

Certificate as to the solvency of an insurer, which carries on life insurance business only

The following table shows the results of the actuarial valuation of CBZ Life on the **Published Reporting Basis** in respect of the year ended 31 December 2017

	31 Dec 17 US$	31 Dec 16 US$
Total Assets	23 197 933	19 319 991
Current and other liabilities	(2 210 493)	(1 103 782)
Policyholder liabilities	(1 465 928)	(1 844 992)
Investment Contracts	(1 806 934)	(1 517 121)
Excess Assets	**17 714 578**	**14 854 096**

The following table shows the results of the actuarial valuation of CBZ Life on the Statutory Reporting Basis in respect of the year ended 31 December 2017.

	31 Dec 17 US$	31 Dec 16 US$
Total Assets (see note below)	17 846 303	18 508 019
Current and other liabilities	(2 210 493)	(1 103 782)
Policyholder liabilities	(1 465 928)	(1 844 992)
Investment Contract	(1 806 934)	(1 517 121)
Excess Assets	**12 362 948**	**14 042 124**
Minimum Capital Requirement	5 000 000	5 000 000
Cover ratio	2.47	2.81
Reconciliation of Excess Assets		
Excess Assets per Published Accounts	17 714 578	14 854 096
Less Inadmissible Assets	(5 351 630)	(811 972)
Property Plant and Equipment	(184 119)	(251 232)
Intangible Assets	(384 704)	(557 564)
Discount 20% on listed equity	(179 560)	-
Discount 20% on Investment property	(677 978)	-
Discount 20% on property under PPE	(132 627)	-
Deferred commission	(177 827)	-
Intercompany assets	(298 480)	(3 176)
Prepayments	(14 754)	-
Deferred Reinsurance commission	(2 803)	-
Investments at CBZ Bank Excess for one Bank	(3 275 124)	-
Premium Debtors above 90 Days-Truworths	(23 654)	-
Excess Asset per Statutory Valuation	**12 362 948**	**14 042 124**

Note: In 2016, CBZ Life did not fully meet with the IPEC Investment Guidelines - Circulars 1 of 2013 and 2016. IPEC granted an extension to achieve compliance by 30th September 2017 per their letter dated 29th May 2017. CBZ Life exceeded the Guidelines in respect of excess investments in money market instruments and in its associate companies. The statutory value of assets only made allowance for the inadmissible assets listed above, and were not adjusted for the asset spreading guidelines.

In 2017, for statutory valuation purposes, all assets in excess of the spreading guidelines are treated as inadmissible. In addition. a compulsory market value discount to Equity and Property investments has been made.

I hereby certify that, to the best of my knowledge and belief, at 31 December 2017, the value of the admissible assets in respect of all classes of life business carried out by CBZ Life Limited exceeded the amount of liabilities in respect of those classes of insurance by more than USD $5 000,000.

J Bagg.

Jonathan Bagg
FELLOW OF THE INSTITUTE OF ACTUARIES
FELLOW OF THE ACTUARIAL SOCIETY OF SOUTH AFRICA
(My primary regulator is the Actuarial Society of South Africa)

In my capacity as:
ACTUARY TO CBZ Life Limited
27th FEBRUARY 2018

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

CBZ Holdings Limited and its Subsidiaries are committed to integrating social and environmental concerns in its business operations and interactions with their stakeholders.The Group continues to follow CSR policies and initiatives that are consistent with the standards that are espoused in ISO 26000:2010.
As per its custom the Group's CSR efforts continue to be premised on the seven key pillars of CSR namely: Organizational Governance, Human Rights, Labour Practices, Fair Operating Practices, Consumer Issues, The Environment and Community Involvement & Development (also referred to as Corporate Social Investment). Global developments are consistently monitored to enable the Group to quickly adopt to global trends.

OUR ENVIRONMENTAL RESPONSIBILITY

CBZ Holdings closely monitors the impact of its operations on the environment and works closely with the responsible authorities and relevant stakeholders to ensure compliance with all legal requirements. This applies to the way we utilise all our resources, the impact of our operations on the environment as well as our waste management policies.

Housing Projects.

The year 2017 saw the completion of 2 housing projects in Kwekwe and Victoria Falls. Environmental Impact assessments were carried out before these projects commenced and certification was sought and granted by the Environment Management Authority (EMA). CBZ also worked closely with the relevant local authorities in the two towns to ensure compliance with council regulations.

Reducing Environmental Impact

In 2017 CBZ upscaled its endeavors to protect the environment through the introduction of innovative delivery channels for our services. A significant investment was made into POS terminals which were rolled out to various merchants conveniently located to customers. A massive campaign to register customers on the CBZ Touch mobile application saw the number of users rising from 37,396 at the beginning of the year to 390,439 at the end of the year. The aforementioned developments reduced the traffic to our banking halls thereby significantly reducing carbon emissions as less clients drove or used public transport to carry out transactions at the bank.
Taking cognizance of the physical environment from where they carry out their operations, CBZ Bank branches staff, continued to take part in various clean up campaigns around the country in partnership with local authorities and other stakeholders.

YOUTH ENTREPRENEURSHIP

The second edition of the CBZ Youth Entrepreneurs Program experienced phenomenal growth with the inclusion of rural centres. The YEP program was piloted in two rural areas namely Gutu and Umzingwane. The response from the rural centres saw more than 400 participants from these two rural centres alone, in addition to over 1,000 participants in the urban areas.

INAUGURAL CBZ INTERNATIONAL SMEs INDABA

CBZ Holdings hosted the Inaugural CBZ International SME Indaba which was attended by over 500 SMEs from the length and breadth of Zimbabwe and over 100 exhibitors participated. The key note International Guest Speaker from India was ably supported by other speakers from Kenya, Tanzania, South Africa as well as local speakers. Sectors that exhibited included Mining, Clothing, Leather, Food Processing, Medical Institutions such as PSMAS and Regulatory Authorities that included ZIMRA, ZINARA, and ABUZ were represented and exhibited at the Indaba. The Indaba also attracted other financial institutions that included ZB Bank, POSB and Old Mutual.

STAFF VOLUNTEERING

A staff volunteering culture is firmly entrenched in the DNA of CBZ Holdings, with staff members contributing many hours of volunteering in their respective communities as well as providing resources to assist the needy. Our geographical spread plays a pivotal role in helping us to reach out to many communities around Zimbabwe. Various branches and Head Office departments provided financial and material support for the communities.

The presentation of the CBZ holdings cheque to the 2017 YEP winner.

YEP finalist posing for a group photo with CBZ Holdings Executives

Part of the delegates who attended at the 2017 CBZH Inaugural International SMEs Indaba

Delegates following proceedings at the 2017 CBZH Inaugural International SMEs Indaba

Mrs Musemburi (center) hands over prizes to succesiful exhibitors at the CBZH Inaugural International SMEs Indaba

Mr Shumbamhini (center) shares a lighter moment at the 2017 CBZH Inaugural International SMEs Indaba

Manhinga Village, a Social Care Centre in Rusape

CBZ staff donated groceries to Manhinga Village, a social care centre situated 45km from Rusape along the Rusape – Nyanga Road. The home is affiliated to the Apostolic Faith Mission in Zimbabwe (AFMZ) and is a registered organization under the Ministry of Social Services. The village is managed by the administrator who is assisted by five full time care givers from the village who perform the duty of "mothers" to the children. Manhinga village caters for orphans and also vulnerable children who have been victims of abuse. They offer a loving environment for the children from 1 year of age right until the children are self-sustaining having gone through the normal channels of education up to tertiary level. Currently the Village is caring for 72 vulnerable children. Twenty three of these children are stationed at the Village and the rest are attending different levels of education at various educational institutions across the country.

Albino Association of Zimbabwe

On World Cancer Day, 4 February, CBZ team donated sun hats, sunglasses and lotions to the Albino Association of Zimbabwe and the donated items were distributed to their members who are prone to skin and eye cancer due to their condition. The donated lotions, sunglasses and hats were well received by the Association as these help members to shield their skin from the sun rays that cause skin cancer.

St Francis Children's Home

St Francis Children's Home is a Bulawayo based government institution which caters for children who are mentally handicapped and physically disabled. The disabilities range from cerebral palsy, dystrophy epilepsy and a condition called hydrocephalus. Most of the patients are bed ridden, some use wheelchairs to move from one place to another. Ordinarily the home is meant to admit children from the ages of 5 to 16 years but they stay up to more than 20years. Once the children become adults above 20 years of age they are then taken to Ingutsheni Hospital. Currently the home houses 31 patients, 10 girls and 21 boys with a limited staff compliment. With the range of disabilities, the children require a special diet. Unfortunately the special diet cannot be catered for by the government, therefore relying on donations from various well-wishers to buy the special requirements. It is against this background that the team gathered resources and extended a helping hand.

Shearly Cripps Children's Home ('SCCH')

CBZ Holdings donated groceries to Shearly Cripps Children's Home (SCCH) which was founded by the missionary, Arthur Shearly Cripps in 1963 and proceeded to be registered in 1970 by the Department of Social Welfare. There are currently 47 children comprising of 24 boys and 23 girls who are under the care of the institution with age groups ranging from as young as 1 year old to 17 year old. The home has the capacity to house as many as 80 children.

Gokwe Prison and Correctional Service

CBZ Bank Gokwe branch team members visited Gokwe Prison and Correctional facility and made a grocery donation. Gokwe Prison and Correctional Service falls under the Zimbabwe Prisons and Correctional Services (ZPCS) whose mandate is the protection of the society from criminals through incarceration and rehabilitation of convicted persons.

Biriri Primary School

Biriri Primary School is a rural school located 30 km from Chimanimani Town in the Biriiri Communal area under Chief Muusha. The school has a number of disadvantaged boys and girls who required assistance in the form of uniforms and school stationery. CBZH donated items that included girl's uniform dresses, boys khaki uniforms, stationery, school shoes and socks.

CIVIC RESPONSIBILITY - COMMUNITY INVOLVEMENT

CBZ Holdings (CBZH) is passionate about giving hope to the marginalised in the community. Our focus is identifying viable and sustainable initiatives that are driven by the communities themselves. Our hashtag #partnershipswithpurpose resonated in all our community centred initiatives in 2017.
Our key focus areas were the following:

- Education
- Human Welfare
- Health
- Sporting Excellence
- Staff Volunteering

EDUCATION

Tariro Trust

CBZ partnered Tariro Trust an organisation that helps orphaned and vulnerable children, (with emphasis on the marginalised girl child) to have access to quality education. A cash donation of $6,776.00 was made towards the payment of school fees for 30 Children (22 Secondary School students; 7 Disadvantaged girls in universities and polytechnics and 1 physical challenged student at Danhiko).

The presentation of sun hats, sunglasses and lotions to the Albino Association of Zimbabwe

The Albino Association of Zimbabwe beneficiaries posing with their sun screen body lotions

CBZ staff pose for a photo with the Albino Association of Zimbabwe beneficiaries

CBZ branded mini bus used during the Makomborero project

The presentation of various groceries to Gokwe prison and correctional service

The presentation of a cheque donation to Tariro Trust

CBZ staff pose for a group photo with the Tariro Trust beneficiaries

Boreholes installation at Ruvimbo and Chemagamba Primary Schools in Chinhoyi

CBZ donated 2 x Bush Pump operated boreholes at Ruvimbo and Chemagamba Primary schools in Chinhoyi. The borehole water will help the children, teachers and the surrounding communities in the following ways:-

- providing constant water to pupils therefore improving the sanitary conditions,
- providing water for agricultural projects at the schools;
- providing water for teaching staff and the communities around the schools

Makomborero Trust

CBZ has been supporting the Trust for the past 4 years by meeting the fuel costs required to transport students from their boarding facility to the various Trust schools around Harare.
Makomborero provides support to talented students from disadvantaged families and communities to allow them to complete their education and attain excellent grades in their A-levels. Makomborero gives these children the chance to fulfil their undeniable potential and gives them hope and a future by enrolling them to Trust schools in Harare.

HUMAN WELFARE

In line with our strategic thrust of assisting in human welfare, CBZ Holdings donated groceries and cash to Gogo Patricia Jabangwe who is a foster parent for orphans in Waterfalls, Harare. She was chosen through the #1000WaysToMakeADifference social media campaign, where members of the public were called upon to suggest charities in need of assistance in their communities. The donation was worth $1,000.00: $500 for groceries, $300 cash and $200 deposited into her new SmartCash account. She grows vegetables and herbs to supplement the children's diet.

Kanongovere Family

CBZ Holdings donated clothes, blankets and groceries to the orphaned Kanongovere siblings in Gutu who are taking care of their brother Matthew who is dumb and was previously mentally challenged. This family was identified through the CBZ #1000WaysToMakeADifference social media campaign. The donation was worth more than $1,000.00.

In Harmony with Nature

CBZ Holdings donated $2,500 to the Zimbabwe National Parks and Wildlife Management Authority. The donation was earmarked towards the ZimParks' initiative of educating school children about nature and wildlife conservation. The thrust of the initiative is to 'catch them young' and capacitate them to be conservation ambassadors in their respective families and communities.

HEALTH

CBZ Holdings donated a Highway Patrol Ambulance that is stationed at Ngundu Clinic to help the clinic to assist accident victims along the Masvingo-Beitbridge highway. The ambulance was handed over to the clinic in 2017 in the presence of the Minister of Health and Child Welfare as well as representatives of the Traffic Safety Council of Zimbabwe. All stakeholders committed themselves to help reduce road carnage in the country.

Harare Hospital Handover Of Pedriatric Ward C Kitchen

CBZ also donated to Harare Central Hospital, a major referral hospital, which plays a key role in the society to administer medical and surgical treatments to the sick members of our society. Harare Children's Hospital is a 350 bedded referral hospital which was opened in 1999 and caters for children referred from the northern region and Masvingo, for specialist services. Its major responsibilities and activities at children's hospital are as follows:-

1. Provision of quality comprehensive health care.
2. Health education of parents/care givers
3. Specialist diagnostic care
4. Specialists in care of patients with HIV/AIDS and provision of Antiretroviral (ARV) drug

Other available services are:-
a) Pediatric medical care
b) Pediatric general surgery
c) Orthordopaedics
d) Nutrition
e) Burns care
f) Pediatric opportunistic infections clinic
g) Intensive care services
h) Special Programmes – e.g. lip and cleft palet repair

CBZ Holdings Limited partnered with Harare Central Hospital in providing the sick children with a clean Kitchen in C1 Children's Ward where they will prepare milk formulas, warm their food, clean used utensils and boil water used during their treatment/s.

The presentation of various groceries to Gogo Patricia Jabangwe who runs as a foster parent for orphans in Waterfalls

The Zimbabwe Parks and Wildlife Management Authority Director General, Mr. Fulton Upenyu Mangwanya (left) and Public Relations Manager Mr. Tinashe Farawo receive the $2,500 cheque from CBZ

The Zimbabwe Parks and Wildlife Management Authority staff during the handover ceremony

Various groceries donated to the Kanongovere family

CBZ staff and the Kanongovere family poses for a photo after the presentation of groceries

The refurbished Harare Hospital Pediatric ward kitchen which was handed over on the 28th of April 2017.

SPORTING EXCELLENCE

12 year old Tanyaradzwa Adel Muzinda received a $10,000 boost to her quest to realize her dream of competing at the British Masters Kids National Motocross Championships. She participated at the event that took place in Midredhall, UK, where she finished 3rd overall in the 85cc B Class.

Mrs. Laura Gwatiringa, Executive-Marketing and Corporate Affairs hands over a cheque to Tanyaradzwa Muzinda to attend Midredhall motocross championships – #BonvoyageTanya #PartnershipWith

Tanyaradzwa Muzinda the beneficiary of the $10 000 donation from CBZ Holdings

COMMUNICATION ON SOCIAL RESPONSIBILITY

CBZ Holdings has a clearly defined Corporate Social Responsibility policy which was signed off by the Group Executive Committee and communicated to all staff members. The policy together with other group policies are uploaded on the Group's Intranet platform which is accessible to all staff members. Our Corporate Social Investment (CSI) focus areas and initiatives are uploaded on our website.
The policy clearly spells out the role of staff members in community involvement through staff volunteering. The Group has taken advantage of its wide geographical footprint in Zimbabwe to roll our staff volunteering initiatives. All the activities are documented by the CSI champions in the branches and head office units and are circulated to all the team members via email and subsequently posted on our website for external stakeholders.

Social Media

The introduction of our Social Media platforms in 2016 went a long way in highlighting our initiatives through the following platforms:

- Facebook
- Twitter
- You Tube

To date we have an active and engaged Social Media followers amounting to more than 90,000.00 with our post attracting a reach of as high 500,000.00 per month.

Radio

Our CSR initiatives received extensive coverage through our sponsored programs on radio as well as news items across various stations. In 2017 we spread our coverage to include provincial stations in Manicaland, Midlands, Bulawayo and Masvingo.

GROUP HUMAN RESOURCES

The Group continued to implement programs and initiatives to ensure that its human resources policies and practices remain aligned to support delivery of its corporate goals and objectives and key among them were the following;

Culture Change Project

The Group continued with the culture change project whose aim is to create a culture that supports our Corporate Strategy. The last Friday of each month is now themed to promote our core values in order to create a collaborative and high performance culture across the Group's SBUs.

Business Efficiency Project

In order to ensure alignment of structure to process, the Group reviewed its structures in line with the revised workflow processes. This is ongoing so that we strengthen on service delivery to the clients. The project has also resulted in some staff redeployments where necessary.

Performance Management

The Group continued to enhance its Performance Management Policy, Appraisal Processes and Tools for better alignment to Corporate and SBUs strategies. This remains a key focus area for the Group as we seek to improve performance effectiveness across the Group's SBUs.

Skills Development

Investing in Training and Development is key to capacitating staff in their various functional areas of operation. Emphasis was on leveraging E- Learning which brings about cost savings while allowing for flexibility in terms of each individual staff member's learning pace. Half of the Group's training programmes were delivered using the E- Learning platform and going forward the use of e-learning will continue to be increased.

Employee Wellness

Training & Awareness Programmes on the various domains of employee wellness were undertaken with a notable 298 staff members in the 30-35 years age group being trained on Retirement Planning. Information on cancers and other non-communicable diseases was disseminated to staff through circulation of relevant articles. The response was positive resulting in some employees going for early testing and screening for these diseases.

Talent retention

The Group has maintained its strong Employer brand resulting in a high staff retention rate. The full year staff turnover rate was at 3.23% and well within the Group's benchmark of not more than 10%.

National Manpower Development participation

The Group continued to play an active part in supporting the country's manpower development needs. 87 students from various tertiary institutions were assisted to gain the necessary practical experience in partial fulfillment of their study programs.

CONSUMER ISSUES AND FAIR OPERATING PRACTICES

Suppliers, partners and other value chain operators

The Group is determined to give equal opportunities to all players in the local economy. Most of the group orders and contracts for various works and items were awarded to local small to medium sized companies. The Group reviews its suppliers list after every two years so as to accommodate new entrants into the market. The Group prefers to deal with supply chain partners who abides by the law and regulations of the country, and who are socially and environmentally responsible. The Group also prefers suppliers who values sustainability not only from a compliance point of view but also from a moral point of view.

All suppliers and vendors are engaged either through open tenders or competitive bidding. Open tender invitations are prominently published in the national press. There is a diverse tender committee in place, which is responsible for adjudicating tenders. Competitive bidding is also done transparently as bids are electronically submitted to a group and not to an individual.

The Group awarded tenders and orders for various requirements to various vendors during 2017. Significant tenders and orders issued were as indicated below;

	Requirement	Value	Awarded to
1	Construction works - Pomona	3 027 000	Local but large contractor through tender
2	POS Machines – CBZ Bank	1 200 000	Large local supplier
3	Mechanical works - Pomona	216 000	Small contractor through tender
4	Electrical Works - Pomona	564 000	Small contractor through tender
5	CBZ Insurance Management System	284 000	International vendor through tender
6	Shelving	189 000	Small company through tender
7	Data Back up	297 000	Various small to medium enterprises
8	Victoria falls street lights	550 000	Small company thorough tender
9	Micro Finance system	105 000	Small to medium Enterprise
10	Micro Finance system servers	112 000	Small to medium enterprise
11	Furniture	276 000	Various small to medium enterprises
12	Security Equipment	319 000	Various small to medium enterprises
13	Consumables	794 000	Various small to medium enterprises
14	Printing services	550 000	Various small to medium enterprises
	Total	**8 465 000**	

The Group only considers foreign companies where local companies cannot provide the required goods or services. The Group intends to continue promoting small to medium enterprises in 2018 by ensuring that almost all its purchases and service provision are done from local companies. The Group will only resort to foreign companies or large corporates where no local company or small to medium size company can satisfactorily provide the required products or services.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

OUR APPROACH TO CORPORATE GOVERNANCE

CBZ Holdings Limited recognizes the need to conduct the affairs of the Company with integrity and in line with best corporate governance practices.

We continue to apply high corporate governance standards aimed at ensuring the ongoing sustainability of the business, the creation of long-term shareholder value and that other stakeholders benefit from the Group's ongoing success. The CBZ Holdings Board is responsible for ensuring that the Group has a clearly defined governance and compliance framework. The Board is primarily accountable to shareholders, while also considering the interests of other stakeholders such as it's customers, employees, suppliers, regulators and the community. In an environment of increasing volume and complexity of regulation, management aims to achieve a balance between the governance expectations of investors and other stakeholders, and the need to generate competitive financial returns. Governance in the Group therefore extends beyond the minimum requirement of compliance with codes, legislation, regulations and listings requirements.

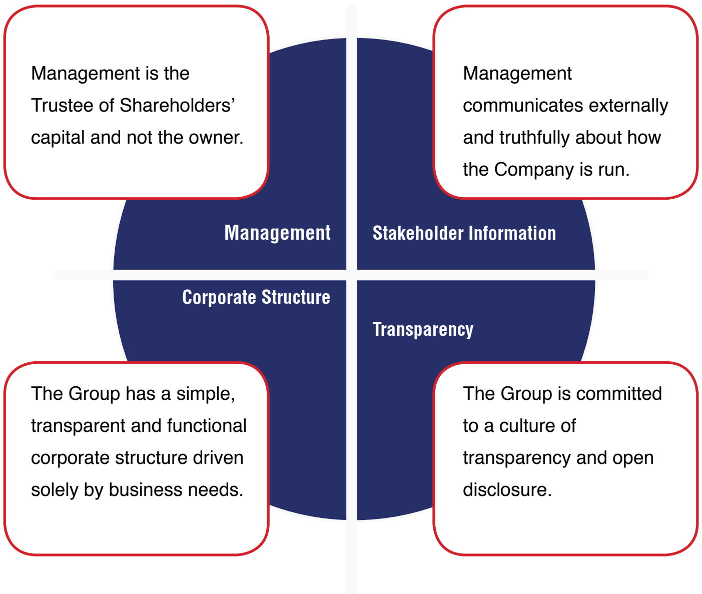
Application of Corporate Governance Principles

The Directors confirm that the Group continues to comply with corporate governance provisions in Zimbabwe which include the Reserve Bank of Zimbabwe Corporate Governance Guidelines and the Banking Act (Chapter 24:20) and since the launch of the Zimbabwe Code on Corporate Governance on 09 April 2015, the Group has fully applied its principles and standards. The Group has also applied the provisions of the Banking Amendment Number 12/2015 and is in compliance. The Group takes cognisance and applies other International Standards including the King Reports and Codes on Corporate Governance for South Africa.

While the Board believes the Group has achieved a suitable level of maturity in relation to governance, its processes, policies and structures are continually reviewed and modified to align with both local and international requirements and with the aim of ensuring ongoing adherence with legislation, regulation and best governance practices.

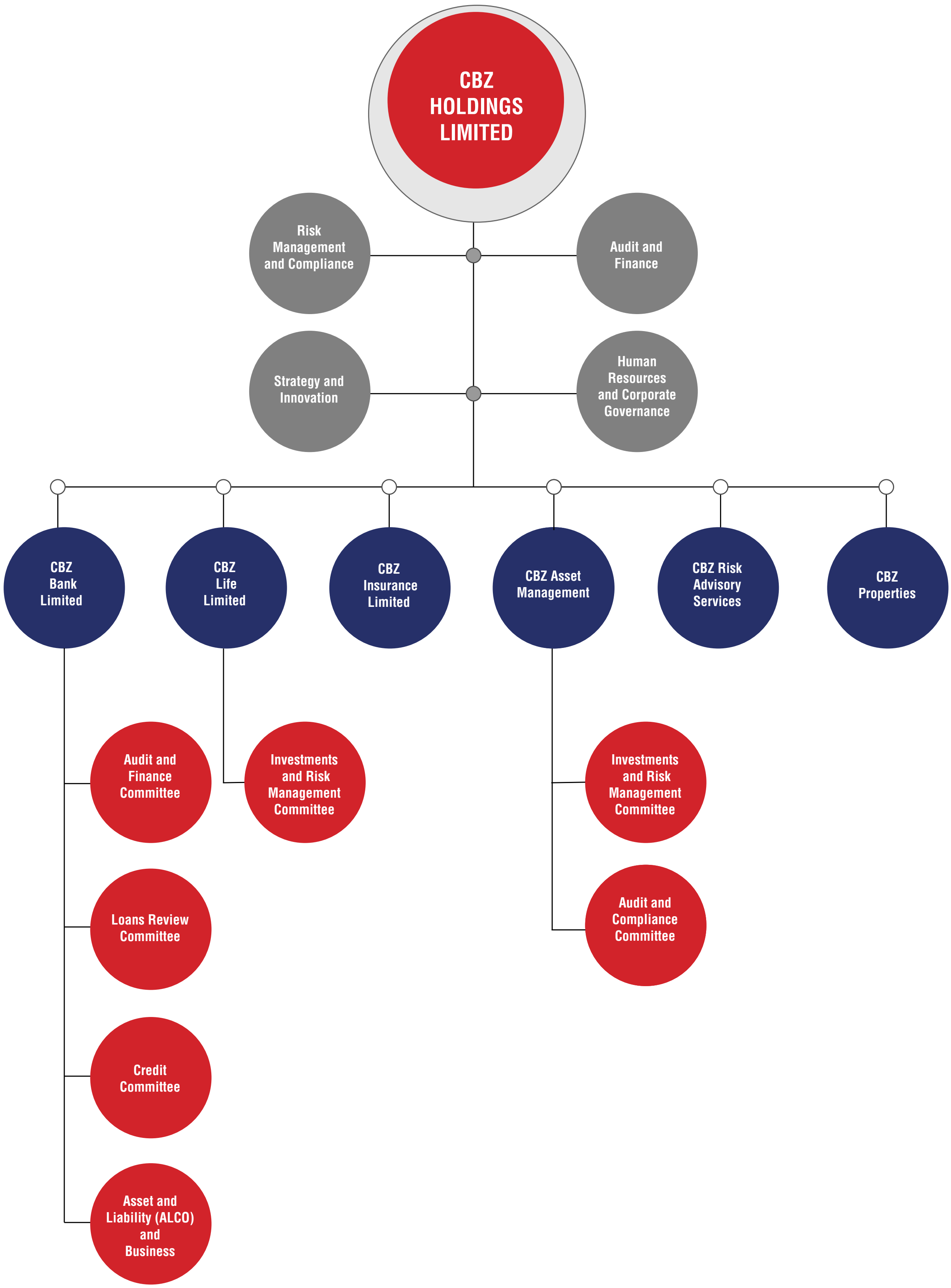
CORPORATE GOVERNANCE FRAMEWORK

The Company's commitment is to harness principles of good governance as encapsulated in the following diagram:

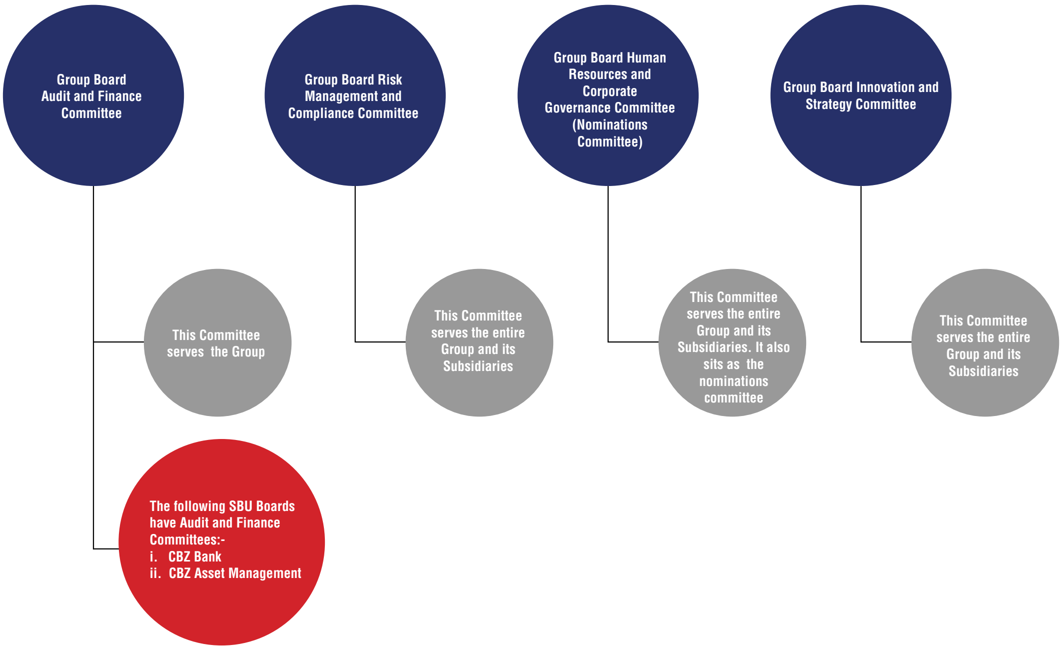


GROUP GOVERNANCE STRUCTURE

The Group is governed by a framework of Boards and Committees.



Relationship of Group Board Committees with Subsidiaries



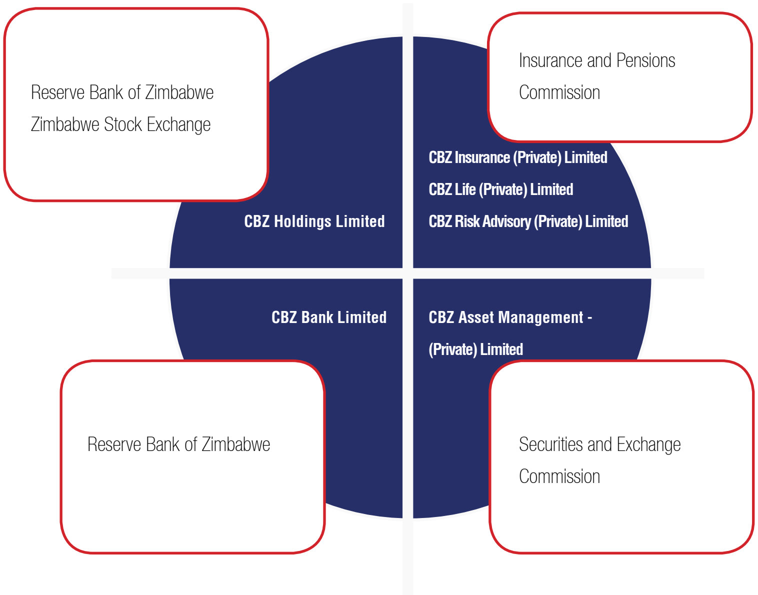
BOARD STRUCTURE AND COMPOSITION

As at 31 December 2017, the Company Board structure and composition was as follows:-	
Noah Matimba	Independent Non-Executive Director (Chairman)
Varaidzo Zifudzi	Non-Independent Non-Executive Director
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
William Annandale	Independent Non-Executive Director
Tsitsi Mutasa	Non-Independent Non-Executive Director
Tafadzwa Gaylord Nyamayi*	Independent Non-Executive Director
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Colin Chimutsa	Executive Director
Never Nyemudzo*	Executive Director

***Retirements** – Never Nyemudzo and Gaylord Tafadzwa Nyamayi retired from the Board with effect from 31 December 2017 and 31 January 2018 respectively.*

Regulation of Group Companies

The Holding Company and its Subsidiary entities are subject to regulation by the following regulatory authorities:-



THE BOARD OF DIRECTORS

The Board is collectively responsible for the long term success of the Company and the delivery of sustainable shareholder value. Its role is to provide leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed.

The Board has overall responsibility for:-

- The establishment of Group strategy and consideration of strategic challenges;
- The management of the business and affairs of the Group.
- Ensuring the Group manages risk effectively through the approval and monitoring of the Group's risk appetite.
- Allocation and raising of capital
- The strategic leadership of the company
- The preparation and approval of the Group's annual report and accounts.

The Board Charter includes key aspects of the company's affairs reserved for the Board's decision and is reviewed at least once annually.

Role of the Chairman

The role of the Chairman is distinct and separate from that of the Group Chief Executive Officer and there is a clear division of responsibilities with the Chairman leading the Board and the Group Chief Executive Officer managing the Group's business on a day to day basis.

The Chairman's key responsibilities are, but not limited to:-

- Provide strong and effective leadership to the Board.
- Ensure the Board is structured effectively and observes the highest standards of integrity and corporate governance.

- Build an effective and complimentary Board with an appropriate balance of skills and personalities
- Facilitate the effective contribution and encourage active engagement by all members of the board.
- In conjunction with the Group Chief Executive Officer and the Group Legal Corporate Secretary, ensure that Members of the board receive accurate, timely and clear information to enable the board to lead the company, make sound decisions and to effectively monitor the performance of executive management
- Manage the business of the Board and set the agenda, style and tone of Board discussions to provide effective decision making and constructive debate
- Ensure that the performance of individual directors and of the Board as a whole and its committees is evaluated annually
- Ensure the Group maintains effective communication with shareholders and other stakeholders

Role of the Group Chief Executive Officer

The Group Chief Executive Officer has responsibility for the Company's business and acts in accordance with the authority delegated by the Board.

The Group Chief Executive Officer's key responsibilities are, but not limited to:

- Develop, drive and deliver the strategy and vision of the Group.
- Drive and deliver performance of the company against set performance and sustainability targets and reporting appropriately to the Board about such performance;
- Establish an organisational structure and operating model for the Group and to ensure effective execution of the strategy, sustainability, governance and control imperatives. Ensuring that appropriate Group policies are formulated and implemented;
- Ensure the Group has effective frameworks and structures to identify, assess and mitigate risks;
- Act as champion of the culture and values of the Group, creating an environment were employees are engaged;
- Lead, manage and develop the Group's senior leadership team and management structures that ensure effective succession planning and professional development;
- In conjunction with the Chairman and Group Legal Corporate Secretary ensure that the Board receives accurate, timely and clear information.
- Monitor and report to the Board on the effectiveness of legal compliance controls, processes, systems and resource capacity;
- Manage the affairs of the Group and its subsidiaries in line with the agreed mandate from the Board of Directors;

Role of the Board of Directors

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill and diligence and exercises independent judgment. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations.

The roles of the non-executive chairman and the chief executive officer are formalised, separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no one individual having unrestricted decision-making powers. The non-executive directors have extensive business experience and specialist skills across a range of sectors, including accounting, finance, law, risk management, retailing and human resources. This enables them to provide balanced and independent advice and judgement in the decision-making process.

The board meets at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings.

Biographical details of the directors appear on pages 74 and 79 of the Integrated Annual Report.

Size and Composition of the Board

We believe that our Board requires an appropriate mix of directors to maintain its independence, and separate its functions of governance and management. The Company's Board size is determined by:-

- Provisions in terms of the Articles of Association
- Provisions in terms of the Banking Act
- Provisions in terms of the Companies Act

The Group has a board structure with 10 directors, comprising two salaried executive directors and eight non-executive directors. As at 31 December 2017, our Board consisted of the following 10 Members:-

Member	Status
Noah Matimba	Independent Non-Executive Director (Chairperson)
Tsitsi Mutasa	Non-Independent Non-Executive Director
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
William Annandale	Independent Non-Executive Director
Varaidzo Zifudzi	Non-Independent Non-Executive Director
Gaylord Tafadzwa Nyamayi	Independent Non-Executive Director*
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Colin Chimutsa	Executive Director
Never Nyemudzo	Executive Director*

***Retirements** – Never Nyemudzo and Gaylord Tafadzwa Nyamayi retired from the Board with effect from 31 December 2017 and 31 January 2018 respectively.*

Board Charter

The scope of authority, responsibility, composition and functioning of the Board is contained in a formal Charter which is annually reviewed. The directors retain overall responsibility and accountability for:

- Ensuring the sustainability of the business;
- Approving strategic plans;
- Monitoring operational performance and management;
- Ensuring effective risk management and internal controls;
- Monitoring legislative, regulatory and governance compliance;
- Approval of significant accounting policies and annual financial statements;
- Selection, orientation and evaluation of directors;
- Ensuring appropriate remuneration policies and practices;
- Monitoring transformation and empowerment; and
- Promoting balanced and transparent reporting to shareholders

Availability of information to Board members

The Board has unrestricted access to all Company-related information, including that of employees. At Board meetings, managers and representatives who can provide additional insights into the items being discussed are invited. Regular updates provided to the Board include:-

- Annual strategic and operating plans and budgets, capital budgets and updates;
- Quarterly results of our operating Subsidiary Units;
- Minutes of meetings of the Board, Audit and Finance Committee, Human Resources and Corporate Governance Committee (incorporating Nominations and Remuneration), Risk Management and Compliance Committee as well as Strategy and Innovation Committee;
- Dividend information

- Information on recruitment and remuneration of Executive Management;
- Materially important litigations, show cause, demand, prosecution and penalty notices;
- Any materially relevant defaults in financial obligations;
- Any issue that involves possible public or product liability claims of a substantial nature;
- Details of joint ventures, mergers and acquisitions of companies, or collaboration agreements;
- Transactions that involve substantial payments toward goodwill, brand equity or Intellectual Property (IP);
- Any significant development involving human resource management;
- Sale of a material nature, or of investments, subsidiaries and assets, which are not part of the normal course of business;
- Non-compliance with any regulatory, statutory or listing requirements, as well as shareholder services, such as non-payment of dividend and delays in share transfer;

Director Training and Professional Development

Board training and developmental initiatives remain focused on enabling Directors to have access to learning, development and training opportunities which enable them to be suitably knowledgeable and skilled to carry out their role within the Company. In line with strategic imperatives, the Group acknowledges that a training programme achieves the following objectives:-

- To ensure that Directors are supported and enabled to meet the changing demands of the Company and its operating environment so that the Company achieves its strategic objectives;
- To facilitate professional and personal development through assisting Directors to broaden, deepen and thereby further enhance their existing skill base; and
- To provide an enabling environment where continuous learning and development takes place.

Due to the changes in our Board composition since 2016 to date, no training was undertaken during the course of the year.

Training Plan for 2018

In planning for the Training Plan for the year ending 31 December 2018, emphasis has been placed on:-

i. Board induction
ii. Board strategic thinking
iii. Board and Committee roles and responsibilities
iv. Corporate Governance
v. Financial training and analysis for board members
vi. Project Management & Evaluation
vii. Business & Contract Negotiaton Skills
viii. Risk Management

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Board Evaluation

An effective Board is the key driver of business growth and success; this is complemented where an organisation has a structured program for Board self-evaluation. The Board provides the overall leadership and vision for the company, setting its direction and major policies, appointing and supervising Executive Management, ensuring it complies with relevant laws and regulations as well as being accountable to the shareholders and stakeholders at large. The Board is ultimately responsible for the performance of the company, hence it is important for the Board's performance to be regularly evaluated against agreed set criteria.

In accordance with the Banking Act as read with the RBZ Corporate Governance Guidelines, the Board is to undertake an annual performance evaluation. The Board therefore undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and each director. The Board, uses a detailed questionnaire, completed by each director, as the basis of these evaluations. This evaluation is aimed at determining how the board's effectiveness can be improved. A final Board Evaluation Report compiled by external consultants is submitted to the Reserve Bank of Zimbabwe by 31 March of the following year.

Following the retirement of a number of Board Members in 2017 in compliance with the Banking Act, more than half of the Board Members had less than a year of service within the Board. As such dispensation was sought and granted by the Reserve Bank of Zimbabwe to waive the Board Evaluation process for the year 2017. The Board Evaluation shall be conducted in year 2018 covering three assessments which are:

- Board self-evaluation
- Chairperson's assessment
- Individual Director Assessment

Board Meetings

In 2017, a minimum of four formal Board meetings were scheduled and individual attendance by directors at these meetings is shown on page 68. The Chairman and non-executive directors meet at least once a year without executive directors present.

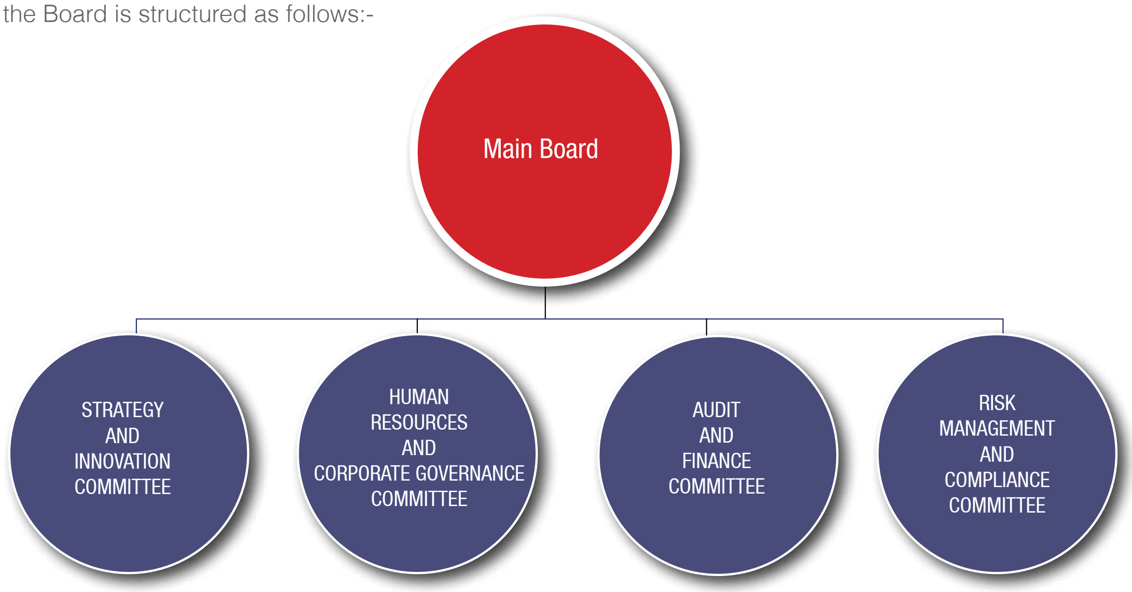
The Board meets quarterly. Board meetings are scheduled well in advance according to a board calendar which is set and approved in advance. Additional board meetings, apart from those planned, are convened as circumstances dictate.

The Board agenda and meeting structure focuses on strategy, risk management, performance monitoring, governance and related matters. This ensures that the board's time and energy are appropriately applied. Directors may propose additional matters for discussion at board meetings. In advance of each meeting, the directors are supplied with comprehensive board reports.

Board meetings are conducted in a manner that encourages open communication, active participation and timely resolution of issues. Sufficient time is provided during Board meetings for thoughtful discussions. Board meetings are facilitated, but not overly influenced by the Chairperson. Other executives such as the Group Chief Risk Officer, the Group Human Resources Divisional Director, the Head of Research and Development and the Executive Corporate Affairs also attend Board committee meetings by invitation. This provides the Board with an opportunity to engage directly with management on key issues and it also supports the Board succession planning activity.

Board and Committee Structure

The directors have delegated specific functions to committees to assist the board in meeting its oversight responsibilities. The committees all have documented terms of reference which are reviewed annually and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year. All board committees are chaired by independent non-executive directors. Currently, the Board is structured as follows:-



CBZ HOLDINGS LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to December 2017)

	Audit & Finance	Risk Management & Compliance	HR & Corporate Governance	Special HR & Corporate Governance	Strategy & Innovation	Joint Audit & HR	Nominations	Special Main Board	Main Board
Meetings Held	4	4	4	3	3	3	1	3	4
Annandale, WJ****	1	**	**	**	**	**	**	-	1
N M Matimba****	**	**	2	3	**	**	1	1	2
Mugamu, E***	**	**	1	-	1	1	-	2	1
Dawes, R***	**	**	1	1	1	2	**	3	1
Dernawi, F M	**	3	**	**	1	**	**	1	4
Harris, I H***	1	**	**	**	**	2	**	2	1
Mabeza-Chimedza, R (Dr)***	**	1	**	**	**	2	**	2	1
Mutasa, T	**	4	3	3	**	**	1	3	4
Nhamo, R	**	**	4	3	**	3	1	2	4
Nyamayi G T	4	2	**	**	**	3	**	2	3
Pasi, R***	**	**	**	1	1	**	**	1	1
Taputaira, G	2	1	**	**	3	**	**	3	4
Zifudzi, V****	**	1	1	**	**	**	1	-	1
Zimunya, P*	1	1	1	**	**	**	**	-	1
Zirobwa,R***	1	**	**	**	**	2	**	2	1
Nyemudzo, N***	3	3	3	1	3	3	**	1	3
C. Chimutsa*	4	4	**	**	3	1	**	2	4

KEY

*	Executive Directors
**	Not a Member
***	Retired
****	New member

GROUP LEGAL CORPORATE SECRETARY

All directors have access to the advice and professional services of the qualified and experienced Group Legal Corporate Secretary who is responsible for ensuring that board procedures and applicable rules and regulations are fully observed. The Group Secretary provides guidance to the board as a whole and to individual directors with regard to how their responsibilities should be discharged in the best interests of the Company.

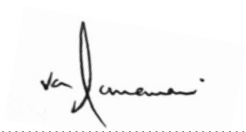
The Group Legal Corporate Secretary oversees the induction of new directors and assists the Chairman and the The Group Chief Executive Officer to determine the board agendas, as well as to formulate governance and Board related issues. She acts as a trusted advisor in the effective functioning of the board, ensuring appropriate alignment and information flows between the Board and its committees, including the executive committee.

She is also responsible for ensuring that the Board receives accurate, timely and clear information, facilitates good information flows between Board members; leading on the implementation of the recommendations from the annual Board evaluation.

Statement of Compliance

Based on the information set out in this corporate governance statement, the Board believes that throughout the accounting period under review, the Bank complied with the requisite regulatory requirements.

By order of the Board



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RUMBIDZAYI ANGELINE JAKANANI
GROUP LEGAL CORPORATE SECRETARY

15 March 2018

REPORT OF THE DIRECTORS

We have the pleasure in presenting our report and the audited financial statements for the year ended 31 December 2017.

SHARE CAPITAL

The authorised and issued share capital of the Group is as follows:

Authorised: 1 000 000 000 ordinary shares

Issued and fully paid: 686 879 495 ordinary shares

INCORPORATION, ACTIVITIES AND RESULTS

The Group offers commercial banking, mortgage finance, asset management, short and long term insurance and other non-financial services and is incorporated in Zimbabwe.

Summarised below is a breakdown of the application of profit after tax attributable to equity holders of the parent:-

	31 Dec 2017 US$	31 Dec 2016 US$
Dividend Payout	3 524 742	3 204 310
Retained for future growth	24 258 149	20 485 510
	27 782 891	**23 689 820**

Directorate as at 31 December 2017

Noah Matimba	Independent Non-Executive Director (Chairperson)
Tsitsi Mutasa	Non-Independent Non-Executive Director
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
William Annandale	Independent Non-Executive Director
Varaidzo Zifudzi	Non-Independent Non-Executive Director
Gaylord Tafadzwa Nyamayi	Independent Non-Executive Director
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Colin Chimutsa*	Executive Director
Never Nyemudzo*	Executive Director

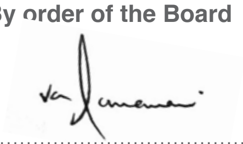
* Executive

Rumbidzayi Angeline Jakanani — Group Legal Corporate Secretary

DIVIDEND ANNOUNCEMENT

The Board has decided to declare a final dividend of US$1 762 371 for the year ended 31 December 2017.

By order of the Board



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RUMBIDZAYI A. JAKANANI
GROUP LEGAL CORPORATE SECRETARY

15 March 2018

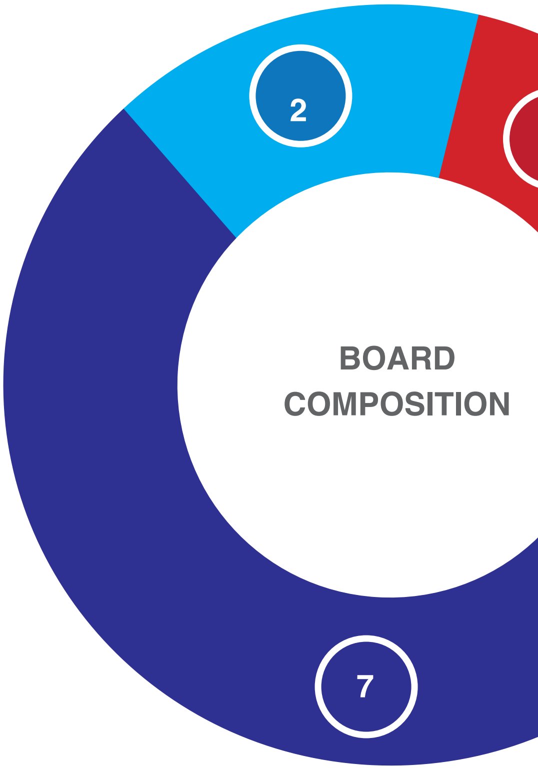
BOARD OF DIRECTORS

OUR DIRECTORATE

Fouad Mokhtar Dernawi
Age:64
Nationality: Libyan

Tsitsi Mutasa
Age:46
Nationality: Zimbabwean

Noah Manomano Matimba
Age: 65
Nationality: Zimbabwean



Tafadzwa Gaylord Nyamayi
Age: 42
Nationality: Zimbabwean

Roseline Nhamo
Age: 48
Nationality: Zimbabwean

Varaidzo Zifudzi
Age:49
Nationality: Zimbabwean

Peter Zimunya
Age: 58
Nationality: Zimbabwean

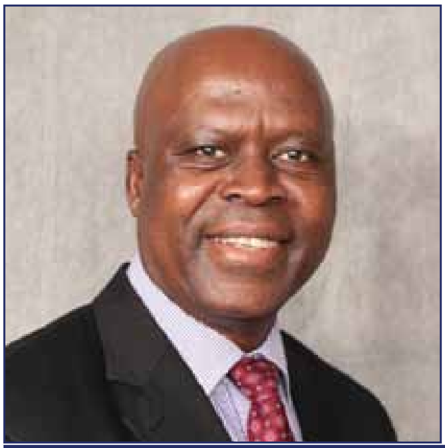
Colin Chimutsa
Age: 54
Nationality: Zimbabwean

Rumbidzayi Angeline Jakanani
Age: 40
Nationality: Zimbabwean

William John Annandale
Age: 61
Nationality: British (Zimbabwean dual)

Givemore Taputaira
Age: 54
Nationality: Zimbabwean

- Acting Group Chief Executive Officer
- Executive Director
- Independent non-executive director
- Non-Independent, Non-Executive Director, Shareholder representative
- Group Legal Corporate Secretary



Noah Manomano Matimba
Age: 65
Nationality: Zimbabwean

Qualifications
- Bachelor of Accountancy (Hons University of Zimbabwe
- Management Development Diploma – University of South Africa
- Masters in Business Leadership– University of South Africa

Capacity
Independent Non-Executive Director

Date of Appointment
1 July 2017

Expertise & Experience
Noah is a highly experienced Business management executive and consultant in the areas of strategy development spanning over 31 years, he held senior executive positions in mining, manufacturing as well as private, public and non-governmental organisation sectors.

External Appointments
- Board of Governors of Zimbabwe Public Administration and Management (ZIPAM)
- Q Partnership Consultancy
- Zimbabwe Agriculture Society

Committee Membership
Human Resources and Corporate Governance

Peter Zimunya
Age: 58
Nationality: Zimbabwean

Qualifications
- Master of Business Administration – Nottingham Trent University
- Diploma in Management – Nottingham Trent University
- Certificate in Management – Nottingham Trent University
- Executive Development Programme – Certification – UZ
- Certificate Institute of Bankers of Zimbabwe

Capacity
Acting Group Chief Executive Officer
Managing Director CBZ Bank

Date of Appointment
Managing Director CBZ Bank (2012)
Acting Group Chief Executive Officer (31 October 2017)

Expertise and Experience
Peter has a career in banking spanning over 39 years and has been with CBZ since 1995, when he started off as a manager in the Central Credit Department. He rose through the ranks and held Senior positions from Senior General Manager Credit, Executive-Risk Management, Chief Operating Officer and then Managing Director, CBZ Bank Limited. Prior to that, Peter had spent 16 years with Standard Chartered Bank.

External Appointments
Bindura University

Committee Membership
(all by invitation)
- Audit and Finance Committee
- Risk Management and Compliance Committee
- Human Resources and Corporate Governance
- Strategy and Innovation Committee

Colin Chimutsa
Age: 54
Nationality: Zimbabwean

Qualifications
- Bachelor of Accountancy (Honours)- University of Zimbabwe
- Chartered Accountant (Zimbabwe)

Capacity
Executive Director
Group Chief Finance Officer

Date of Appointment
1 May 2014

Expertise & Experience
Colin was appointed as Executive Director, Mortgage Finance in January 2009. He had a career at ZB Building Society spanning 10 years, when he held the position of Managing Director. Prior to that role, Colin was Finance Director of United Bottlers Colin has an extensive background and experience in Finance leading to this appointment as Group Chief Finance Officer in 2014.

External Appointments
None

Committee Membership
(all by invitation)
- Board Audit & Finance Committee
- Risk Management and Compliance Committee
- Strategy and Innovation Committee

William John Annandale
Age: 61
Nationality: British (Zimbabwean dual)

Qualifications
- BA General Majoring in English & History- University of Zimbabwe (1975-1978)
- Graduate Certificate in Education

Capacity
Independent Non-Executive Director

Date of Appointment
3 August 2017

Expertise & Experience
William is an educator by profession and former Headmaster of a leading secondary school in Harare. He has held various senior business management positions including General Manager, Managing Director of Music Plus and Zimbabwe Music Corporation. For 17 years he owned and managed the Spinalong retail group.He has considerable experience in marketing, financial management, media and leadership.

External Appointments
None

Committee Membership
Board Audit & Finance

Fouad Mokhtar Dernawi
Age: 61
Nationality: Libyan

Qualifications
- Bachelor of Science in Electrical Engineering – England
- Computer Programming COBOL- RPG – London Computer Institute Professional Diploma in Computer Systems – Jordan
- Diploma in Banking and Finance – Arab Institute of Banking and Financial Studies

Capacity
Non-independent Non-Executive Director (Shareholder representative for the Libyan Foreign Bank)

Date of Appointment
24 June 2009

Expertise and Experience
Fouad is an Engineer with vast experience in information and communication technology. He is an Operations Officer within the Lybian Foreign Bank.

E xternal Appointments
None

Committee Membership
Strategy and Innovation Committee
Board Risk Management & Compliance

Tsitsi Mutasa
Age:46
Nationality: Zimbabwean

Qualifications
- BA (Honours) Business Administration
- Master's in Business Administration (UK)
- Post Graduate Diploma Safety Management (UK)
- Prince2 Practitioner

Capacity
Non- Independent Non-Executive Director (Shareholder representative for NSSA)

Date of Appointment
1 March 2016

Expertise & Experience
An established Corporate Governance and Institutional Capacity Building professional. Tsitsi is the Managing Partner of Governance Advisory Services and the World Bank (STC) Corporate Governance Technical Expert on State Enterprises and Parastatal Reform. Headed the Zimbabwean National Code of Corporate Governance Project Secretariat. Previously she worked for numerous international organisations including British Sky Broadcasting (BskyB) (UK & Europe), Easynet (UK) and FTSE 100 Index.

External Appointments
- Governance Advisory Services – Executive Director
- StarAfrica Corporation – non executive Board member
- ZimParks – Non Executive Board Member – (interim)

Committee Membership
Risk Management and Compliance Committee
Human Resources & Corporate Governance Committee

Roseline Nhamo
Age: 48
Nationality: Zimbabwean

Qualifications
- MBA – Nottingham Trent University (UK)
- Bachelor of Business Studies Honours Degree – University of Zimbabwe

Capacity
Independent Non-Executive Director

Date of Appointment
24 June 2009

Expertise & Experience
Rose is a leading Human Resources Practitioner in Zimbabwe. She has vast experience in Strategic Management Organisational and Marketing. Rose has led consultancy projects in the region for the past 8 years. Rose is a Labour Arbitrator with Commercial Arbitration Centre. Rose has also been involved in various assignments at National Level including as a Councillor on the National Manpower Advisory Council (NAMACO), ZIMDEF – Executive Advisory Committee and Labour Law Advisory Council.

External Appointments
Distinctive Consultancy
Tropical Reinsurance
Medicines Control Authority of Zimbabwe
Safire Trust

Committee Membership
HR and Corporate Governance Committee

Tafadzwa Gaylord Nyamayi
Age: 42
Nationality: Zimbabwean

Qualifications
- Bachelor of Accountancy (Honours) – University of Zimbabwe)
- Post Graduate Diploma in Applied Accountancy – University of Zimbabwe
- Master's in Business Administration – University of Cambridge's Judge Business School
- Chartered Financial Analyst Charterholder

Capacity
Independent Non-Executive Director

Date of Appointment
1 May 2016

Expertise and Experience
Tafadzwa is a Partner and Chief Finance Officer of Takura Capital Partners (Pvt) Ltd. He has previous held the same position at CDK Investments LLP, a London hedge company and Collingham Management LLP. Tafadzwa has vast experience in investments, due diligence, structural and financial controls gained in a career spanning over 15 years in alternative investments industry, specifically hedge funds and private equity in Zimbabwe, Carribean and United Kingdom.

External Appointments
Montana Meats
Cairns Holdings
Bregcomb Investments
Racrod Capital Advisors

Committee Membership
Audit and Finance Committee

Givemore Taputaira
Age: 54
Nationality: Zimbabwean

Qualifications
- Bachelor of Science – University of Zimbabwe
- Master's in Business Administration – University of Zimbabwe

Capacity
Independent Non-Executive Director

Date of Appointment
24 June 2009

Expertise & Experience
Givemore is the Managing Director of Hotel and Leisure Solutions, A company that provides ICT Solutions to the Hospitality and Leisure Industry. Givemore has worked across Africa on Business Development and IT Projects. He has experience in ICT, Project Management and Business Development.

External Appointments
Polarvale Investments
Bretwin Investments
Viola Investments
Learthrust Investments

Committee Membership
Strategy and Innovation Committee

	
Varaidzo Zifudzi Age:49 Nationality: Zimbabwean	Rumbidzayi Angeline Jakanani Age 40 Nationality: Zimbabwean
Qualifications • Bachelor of Laws (Hons) – University of Zimbabwe • Master of Laws – International Economic Law – University of London (SOAS) – British Chevening Scholar • Post Graduate Diploma in EU Competition Law - Kings College (University of London) • Admitted to the Bar – High Court of Zimbabwe and High Court of Botswana	**Qualifications** • Master of Laws in International Economic Law-University of Warwick - British Chevening scholar. • Bachelor of Law Honours University of Zimbabwe
Capacity Non Independent Non-Executive Director	**Capacity** Group Legal Corporate Secretary
Date of Appointment 3 August 2017	**Date of appointment** 2012
Expertise & Experience Varaidzo is a lawyer by profession and has over two decades legal experience. She has held various senior management positions in both the private and public sector including financial services. She's a former Deputy Chairperson of the Competition and Tariff Commission. Currently she is Principal Director – Legal Services in the Ministry of Finance and Economic Development	**Expertise and experience** Rumbidzayi is a lawyer by profession, having previously worked for Stumbles and Rowe Legal Practitioners as a civil and criminal lawyer. She worked in her capacity as Manager Corporate Governance and Compliance, CBZ Bank Limited (2005) and Legal Corporate Secretary (2009) until her appointment as Group Legal Corporate Secretary in 2012.
External Appointments National Prosecuting Authority Makata Holdings Southern Trust Securities Emerald Hill Children's Home	
Committee Membership Risk Management and Compliance Committee	

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act Chapter (24:03). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for preparing the Annual Report and Group financial statements. These Financial Statements have been prepared in accordance with International Financial Reporting Statements (IFRS), (promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions); the Companies Act (Chapter 24.03), Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07); the Building Societies Act (Chapter 24:02) and Statutory Instruments (SI 33/99 and SI 62/99).

The Group financial statements are required by law and IFRS to present fairly the financial position of the Group and the performance for that period. In preparation of the Group financial statements, the directors are required to:

- state whether they have been prepared in accordance with IFRS; and
- prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- select suitable accounting policies and then apply them consistently; and
- make judgements and estimates that are reasonable and prudent;

These financial statements which have been prepared under the historical cost convention are in agreement with the underlying books and records.

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. The Directors have engaged themselves to continuously assess the ability of the Group to continue to operate as a going concern and to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- The financial statements were prepared by CBZ Holdings Limited Finance Department under the direction and supervision of the Group Chief Finance Officer, Mr Colin Chimutsa (PAAB Number 00113).

By order of the Board

....	....
COLIN CHIMUTSA	Peter Zimunya
GROUP CFO	**ACTING GROUP CEO**
15 March 2018	**15 March 2018**

Building a better working world

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 / 773842
Email: admin@zw.ey.com
www.ey.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CBZ HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of CBZ Holdings Limited (the Group) set out on pages 88 to 171, which comprise the consolidated and company statement of financial position as at 31 December 2017, and the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity and the consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and company financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and company financial statements.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the matter
Issue 1 : Revenue Recognition (Interest Income)	
Revenue was an area of most significance for the audit in the current year due to the following: • Interest income is a significant component of the group financial statements • The completeness and accuracy of interest income is a key audit focus area due to interest computations which are highly automated. • Involvement of IT specialists in the recalculations of the automated revenue streams • The audit team spent a significant amount of time in the current year due to the complexities as noted above The Group's revenue recognition policy is disclosed in Note 1.11 of the financial statements	Our audit procedures included a combination of tests over internal controls over the Group's principal revenue lines and the following substantive procedures: • Performed an assessment of the appropriateness of the Revenue recognition criteria used by Management as per International Financial Reporting Standards (IFRS) requirements. • Engaged our Information Technology (IT) specialists to evaluate IT related controls around credit approval, recording and monitoring, assessment of IT internal controls supporting logical access, manage change and other appropriate application controls • We engaged our IT specialists to perform recalculations of interest and non-interest income which is predominantly automated. We compared these to amounts recorded in the Company's accounting records. • We agreed manual adjustments to relevant supporting documentation and performed tests of details on manual journals processed for validity and appropriateness of authorization. • We performed a recalculation of loan facility establishment and arrangement fees, in line with the contractual agreements.

Key Audit Matter	How our audit addressed the matter
Issue 2 : Valuation and Existence of Loans and advances	
The major risk relating to loans and advances is credit risk which is largely influenced by the current macro-economic environment which is characterised by: increase in non -performing loans, low liquidity and business performance constraints. Significant judgement is exercised by Management in assessing the impairment of loans and advances. Impairment is determined by reference to the repayment capacity of the obligor which is driven by their payment history and financial position, condition and value of collateral offered. Due to the size of the Group's loan book we identified impairment of loans and advances as representing a significant risk of material misstatement. Management are responsible for evaluation and assessment of the credit extension processes and whether adequate allowances have been made for uncollectible loans. • There is subjectivity involved in determining the amounts of advances deemed uncollectible and requiring impairment by Management. The determination of uncollectible amounts is performed at an individual and portfolio basis and involves judgement • The calculation of impairment of losses on loans should be performed in line with the requirements of International Accounting Standard (IAS 39) Financial Instruments-Recognition and Measurement' and Reserve Bank of Zimbabwe (RBZ) loan provisioning guidelines. • The matter required significant interactions between the auditor and Management. We refer to note 1.10 (accounting policies) and note 12.5 of the financial statements for disclosures relating to loans and advances.	We performed the following audit procedures among others: • Tested internal controls over the credit granting and monitoring and assessed whether the controls were in accordance with laid down Group policies and procedures • Performed testing of existence of loans advances through confirmation of balances with customers and alternative procedures were confirmations were not available • Tested recoverability and existence of loans through analysis of customer payment trends during the year and after period end before the issuance of the financial statements • We reviewed the financial performance, financial position, cash flows and future projections for obligors selected material advances. • Reviewed security for selected loans and advances and assessed whether the security adequately covered the outstanding loan balance • Tested the valuation of security pledged on the loan balances by comparing its values to recent market valuations. • Selected material advances and analysed the accuracy of the classification of loans into various credit quality portfolios as prescribed by the RBZ loan provisioning guidelines. • We assessed the accuracy of Management's assigned grading into the different RBZ grading guidelines determined on the current market values of security, correspondence received from legal counsel, customers deposit performance and general information available from the market on the customers' financial position. • We compared the grades used by Management with the rates used to determine provision per the RBZ guidelines. • We re-performed the calculation of impairment on loans in accordance with IAS 39 • Where past due loans and advances have not been impaired after restructuring of payment terms, we reviewed new payment plans ,post year end movements in loans and advances and confirmed adherence to payment plans.

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 3 : Susceptibility of Suspense accounts to fraud</th></tr>
<tr><td>The banking operation has suspense accounts which are a feature in its day to day operations. Suspense accounts are a high risk area given the nature of banking operations and their general susceptibility to fraudulent transactions.
The matter is of significance to the audit as a high volume of transactions are recorded in suspense accounts pending authorisations or clearance with other financial institutions.
In addition suspense accounts are, by their nature susceptible to fraud especially in the current macro-economic environment characterised by financial pressure from employees.
The matter required frequent interactions between the audit team and Management.</td><td>We performed the following audit procedures among others:
• We obtained detailed understanding of the significant suspense accounts in use
• We identified controls implemented by Management and tested a sample of controls relevant to our audit to ensure they were implemented during the year under review
• We reviewed significant suspense accounts, with emphasis on unusual items and long outstanding items
• We traced significant transactions to supporting documentation and checked for subsequent clearance.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 4 : Valuation of Investment Property</th></tr>
<tr><td>The valuation of investment properties is of a subjective nature due to the use of judgment, estimates and assumptions in determining fair values. These judgements have a higher estimation uncertainty as a result of the absence of an active property market due to the current liquidity constraints in Zimbabwe hence making comparability of property values subjective.
Management engaged an external valuation expert to determine the fair value of its investment property portfolio.
As disclosed in note 18, the Group uses the open market value basis approach to determine the fair value on the basis of the following key assumptions:
• Comparable market evidence which comprised complete transactions as well as transactions where offers had been made but the transaction not finalised
• Age of property, state of repair and maintenance
• Aesthetic quality - quality of fixtures and fittings
• Structural condition
• Size of land
The comparison method was used and this entails carrying out a valuation by directly comparing the subject property, which has been rented out or sold.</td><td>We obtained assistance from our EY valuations specialists in performing our audit procedures in this area, which included:
• Evaluating whether the method of measurement used is appropriate in the circumstances and whether in line with acceptable industry practice
• Evaluating whether the model used to develop the estimate is appropriate
• Evaluating whether assumptions used by management are reasonable given the measurement requirements of International Financial Reporting Standards (IFRS)
• Evaluating whether data on which the estimate is based is accurate, complete and relevant by performing recalculations and inspecting source documents.
• Evaluating the values derived by comparing with other comparable properties within the market and economic information,
• Testing the accuracy of values derived through recalculations and inspecting the underlying source.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 5: Valuation and existence of financial assets (Treasury Bills)</th></tr>
<tr><td>The Group through its Banking Operation carries a material portfolio of Treasury Bills on its statement of financial position.
• There is inherent complexity in accounting and disclosure requirements of financial assets per IFRS guidance
• The significance of these financial assets on the Group's statement of financial position is high.
• The measurement of these Treasury Bills is subjective due to the absence of an active market for trading of Treasury bills which makes fair value determination and comparability subjective.
The Group's accounting policy on recognition and measurement of Treasury Bills is disclosed on Note 1.7 (accounting policy and Note 11 of the financial statements.</td><td>Our audit procedures encompassed the following:
• Review of Management's recognition and classification criteria relative to the requirements of IFRS and guidance issued by regulatory bodies
• Review of Management's measurement criteria relative to the requirements of IFRS, particularly on fair value measurement and disclosures.
• Recalculated the value of the Treasury Bills in line with Management's measurement principle and assessed that the Treasury Bills were appropriately valued.
• We assessed whether the coupon rate used by management is in line with that prevailing for similar bills issued on the market
• Confirmed existence with the Central Security Depository (CSD), or with other financial institutions where these instruments were lodged as security for any inter-bank positions
• Satisfied ourselves that there were no instances of default, by inspecting the schedule of Treasury Bills maturing during the current year and agreeing these to payment confirmation from the contracting party.
• We compared the payment date to the maturity date to ensure that matured Treasury Bills were settled on time
• We inspected the schedule of Treasury Bills for any evidence of roll over which could be an indicator of impairment</td></tr>
</table>

Key Audit Matters (continued)

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this report. Other information does not include the consolidated and company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Key Audit Matters (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In our opinion the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies' Act (Chapter 24:03)
The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Practising Certificate Number 335)

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

15 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 Dec 2017 US$	31 Dec 2016 US$
Interest income	2	152 949 238	181 182 497
Interest expense	2	(77 390 065)	(99 582 030)
Net interest income		**75 559 173**	**81 600 467**
Net non-interest income	3	91 398 386	69 078 973
Underwriting income	4	8 076 286	8 305 755
Total income		**175 033 845**	**158 985 195**
Operating expenditure	5	(111 905 039)	(110 644 376)
Operating income		**63 128 806**	**48 340 819**
Charge for impairment on loans and advances and insurance assets	13.2/12.5	(36 011 671)	(19 847 256)
Profit before taxation		**27 117 135**	**28 493 563**
Taxation	6	721 783	(4 708 102)
Profit for the year after taxation		**27 838 918**	**23 785 461**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Gains on property revaluation		2 203 767	517 426
Deferred income tax relating to components of other comprehensive income	6.1	(366 225)	(53 403)
Other comprehensive income for the year, net of taxation		**1 837 542**	**464 023**
Total comprehensive income for the year		**29 676 460**	**24 249 484**
Profit for the year attributable to:			
Equity holders of parent		27 782 891	23 689 820
Non-controlling interests	27.7	56 027	95 641
Profit for the year		**27 838 918**	**23 785 461**
Total comprehensive income attributable to:			
Equity holders of parent		29 620 433	24 153 843
Non-controlling interests	27.7	56 027	95 641
Total comprehensive income for the year		**29 676 460**	**24 249 484**
Earnings per share (cents):			
Basic	7.1	5.36	4.53
Fully diluted	7.1	5.21	4.40

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 Dec 2017 US$	31 Dec 2016 US$
ASSETS			
Balances with banks and cash	9	89 606 676	73 482 774
Money market assets	10	45 820 077	37 512 007
Financial Securities	11	899 862 222	760 536 057
Loans and advances to customers	12	941 408 103	1 007 172 157
Insurance assets	13	4 812 830	4 851 887
Equity investments	15	10 687 540	7 826 107
Other assets	14	72 016 809	71 450 097
Current tax receivable		621 938	3 692 462
Intangible assets	19	2 530 080	2 697 421
Investment properties	18	33 950 354	32 601 223
Property and equipment	17	71 605 721	72 220 038
Deferred taxation	20.1	19 732 819	12 566 810
TOTAL ASSETS		**2 192 655 169**	**2 086 609 040**
LIABILITIES			
Deposits	21	1 853 677 673	1 777 154 753
Insurance liabilities	22	5 453 852	6 470 950
Other liabilities	24	17 951 208	13 859 233
Current tax payable		18 055	295 265
Life Fund	23	1 465 928	1 844 992
Life assurance Investment contract liabilities	25	1 806 932	1 517 121
Deferred taxation	20.1	2 595 916	2 359 408
TOTAL LIABILITIES		**1 882 969 564**	**1 803 501 722**
EQUITY			
Share capital	27.1	6 868 795	6 868 288
Share premium	27.2	40 013 748	40 008 086
Treasury shares	27.3	(17 588 582)	(17 588 582)
Revaluation reserve	27.4	28 927 524	27 089 982
Share option reserve	27.5	1 135 049	1 101 026
Revenue reserves	27.6	250 212 784	225 085 611
Equity attributable to Equity holders of the parent		**309 569 318**	**282 564 411**
Non-controlling interests	27.7	116 287	542 907
TOTAL EQUITY		**309 685 605**	**283 107 318**
TOTAL LIABILITIES, EQUITY		**2 192 655 169**	**2 086 609 040**

N. Matimba
GROUP CHAIRMAN

P. Zimunya
ACTING GROUP CHIEF EXECUTIVE OFFICER

R. A. Jakanani
GROUP LEGAL CORPORATE SECRETARY

15 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Share option reserve US$	Revenue reserve US$	Total Equity attributable to the parent US$	Non-controlling interests US$	Total US$
2016									
Opening balance	6 867 689	40 001 416	(16 810 640)	26 625 959	1 032 565	203 691 964	261 408 953	468 104	261 877 057
Other comprehensive income	-	-	-	464 023	-	23 689 820	24 153 843	95 641	24 249 484
Treasury shares acquisition	-	-	(777 942)	-	-	-	(777 942)	-	(777 942)
Rights issue(Subsidiary)	-	-	-	-	-	-	-	20 600	20 600
Change in degree of ownership	-	-	-	-	-	41 438	41 438	(41 438)	-
Employee share option expense	-	-	-	-	70 461	-	70 461	-	70 461
Exercise of share options	599	6 670	-	-	(2 000)	-	5 269	-	5 269
Dividend paid	-	-	-	-	-	(2 337 611)	(2 337 611)	-	(2 337 611)
Closing Balance	**6 868 288**	**40 008 086**	**(17 588 582)**	**27 089 982**	**1 101 026**	**225 085 611**	**282 564 411**	**542 907**	**283 107 318**

	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Share option reserve US$	Revenue reserve US$	Total Equity attributable to the parent US$	Non-controlling interests US$	Total US$
2017									
Opening balance	6 868 288	40 008 086	(17 588 582)	27 089 982	1 101 026	225 085 611	282 564 411	542 907	283 107 318
Total comprehensive income	-	-	-	1 837 542	-	27 782 891	29 620 433	56 027	29 676 460
Change in degree of control	-	-	-	-	-	(105 752)	(105 752)	(463 205)	(568 957)
Employee share option expense	-	-	-	-	35 720	-	35 720	-	35 720
Exercise of share options	507	5 662	-	-	(1 697)	-	4 472	-	4 472
Dividend paid	-	-	-	-	-	(2 549 966)	(2 549 966)	19 442	(2 569 408)
Closing Balance	**6 868 795**	**40 013 748**	**(17 588 582)**	**28 927 524**	**1 135 049**	**250 212 784**	**309 569 318**	**116 287**	**309 685 605**

CONSOLIDATED STATEMENT
OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017 US$	31 Dec 2016 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**27 117 135**	**28 493 563**
Non-cash items:		
Depreciation	7 885 794	7 351 264
Amortisation of intangible assets	1 182 686	977 107
Write-offs of property and equipment	165 373	160 884
Write-offs of other assets	765 403	414 825
Fair value adjustments on investment properties	(1 904 448)	1 015 269
Unrealised loss on foreign currency position	1 019 410	259 340
Fair value adjustments on financial instruments	(2 201 647)	(442 833)
Impairment on advances and Insurance Assets	36 011 671	19 847 256
Unearned premium reserve movement	(387 144)	(961 828)
Provision for Incurred But Not Reported claims (IBNR)	113 441	(519 379)
Deferred commission movement	125 853	124 292
Loss / (Profit) on sale of property and equipment	33 526	(40 629)
Loss on sale of investment properties	350 000	-
Employee share option expense	35 720	70 461
Operating cash inflow before changes in operating assets and liabilities	**70 312 773**	**56 749 592**
Changes in operating assets and liabilities		
Deposits	75 503 510	92 617 585
Loans and Advances to customers	(40 804 606)	(81 431 426)
Money market assets	(8 308 070)	(42 314 131)
Financial securities	(68 610 423)	17 488 992
Life assurance Investment contract liabilities	289 811	202 408
Insurance assets	(85 581)	(82 263)
Insurance liabilities	(1 282 428)	1 523 214
Other assets	(909 522)	2 668 166
Other liabilities	4 091 975	(1 940 500)
	40 115 334	**(11 267 955)**
Corporate tax paid	(3 780 629)	(2 210 411)
Net cash inflow from operating activities	**26 416 810**	**43 271 226**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(1 082 380)	(150 002)
Proceeds on disposal of investment property	1 500 000	-
Purchase of investment properties	(1 250 537)	(1 642 209)
Proceeds on disposal of property and equipment	119 794	112 060
Purchase of property and equipment	(6 129 845)	(6 461 170)
Purchase of intangible assets	(316 047)	(1 079 769)
Net cash outflow from investing activities	**(7 159 015)**	**(9 221 090)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of employee share options	4 472	5 269
Treasury shares acquisition	-	(777 942)
Rights issue (Non-Controlling Interest)	-	20 600
Acquisition of additional interests in subsidiary	(568 957)	-
Dividends paid	(2 569 408)	(2 337 611)
Net cash outflow from financing activities	**(3 133 893)**	**(3 089 684)**
NET INCREASE IN BALANCES WITH BANKS AND CASH	**16 123 902**	**30 960 452**
Balances with banks and cash at the beginning of the year	73 482 774	42 522 322
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	**89 606 676**	**73 482 774**

GROUP ACCOUNTING POLICIES

1 GROUP ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies of the Group, which have been applied consistently in all material respect.

1.1 BASIS OF PREPARATION

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

The financial results are presented in United States dollars (US$), the Group's functional and presentation currency and all values are rounded to the nearest United States dollars except when otherwise indicated.

Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group. Control is achieved when the Group has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The results of subsidiaries acquired or disposed of during the year are incorporated from the date control was acquired and up to the date control ceased. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses, profits and losses resulting from intra-group transactions that are recognised in assets and liabilities and income and expenses are eliminated in full.

Non-controlling interests represent the portion of profit and net assets that is not held by the Group and are presented separately in the consolidated profit or loss and comprehensive income and within equity in the consolidated statement of Financial Position, separately from parent shareholders' equity.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, Management made certain judgements and estimates that have a significant effect on the amounts recognised in the financial statements as stated below:

Fair value measurement principles

The fair value of financial instruments is based on their market price at the reporting date. If a market price is not available, the fair value of an instrument is estimated using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimates and the discount rate is market related at the reporting date for an instrument with similar terms and conditions.

Investment properties and property and equipment are valued by a professional valuer at each reporting date. In coming up with the value the valuer takes into account:

- Age of property
- Aesthetic quality
- Structural condition
- Size of land

Also refer to notes 17 and 18.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment on loans and advances

The Group reviews individually significant loans and advances at each reporting date to assess whether impairment should be recorded in profit or loss. In particular, judgement by Management is required in the estimation of the amount and timing of future cash flows when determining the impairment. In estimating these cash flows, the Group makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The Group determines the loan loss provisions as mandated by the Reserve Bank of Zimbabwe's (RBZ), Banking Regulation, Statutory Instrument 205 of 2000 (part IV). Management exercises judgements in assigning loan grades which form the basis of provisioning. The RBZ regulations prescribe minimum percentages to be applied on outstanding loan balances depending on each loan's grading.

IAS 39 requires the assessment of impairment on individually significant loans and portfolio impairment assessments for the remaining loans. Where the regulatory provision is higher than the IAS 39, Financial Instruments: recognition and measurement impairment, the excess is recognised as an appropriation of reserves. The Group records the loan loss provision through profit or loss and other comprehensive income. Refer to note 12.5 for more detail on the impairments of loans and advances.

Estimation of property and equipment useful life

The determination of estimated useful life for property and equipment is carried out at each reporting date. At the end of each financial year, the Group's valuations department assesses all property taking into account the market values and physical status. The Group's procurement assesses all non-property equipment taking into account their physical state, technological trends and historical usage. Refer accounting policy note 1.4 for the useful lives of property and equipment.

Estimation of property and equipment residual values

The residual value of an asset is the estimated value of the asset at end of its useful life. The estimated residual values of property and equipment are determined at each reporting date. The average of 10% residual value has been determined from the general assessment save for land, buildings and software.

Valuation of equity investments

Investments in equities listed on the Zimbabwe Stock Exchange are valued by reference to the price as published on the reporting date. Other equity investments which are neither listed nor traded on an active market are valued at cost. There are no recent arm's length transactions in the financial market which are of similar nature to the equity investments that CBZ Holdings holds. Furthermore, after considering the availability, reliability and efficacy of other valuation techniques, the inputs available and other factors, CBZ Holdings decided to hold financial investments at cost.

Incurred but Not Reported (IBNR) insurance claims

In the process of applying the Group`s accounting policies, Management has estimated the Incurred But Not Reported insurance claims (IBNR) at 5% of net written premium for all other products, with the exception of motor which has been estimated at 25% of net written premium. For short-term insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The provision has been determined at using the Born-Huetter Ferguson ("BHF") method.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Life Fund

The life fund reserves is actuarially determined by a qualified actuary.

(i) Incurred but not reported (IBNR) life claims

This is based on 0.75 expected deaths per month per 1000 lives assured multiplied by the average sums assured. These expected claim payments are then decreased relative to the elapsed time at year-end on assumption that all claims should have been notified within 10 months of date of death. There are no reserves for staff loans as all deaths are notified immediately. Funeral claims are estimated at 70% of risk premiums assuming all claims will be reported within one month.

1.3. INVESTMENT PROPERTIES

Recognition criteria

Investment properties are those properties held for earning rental income and/or for capital appreciation. Some of these properties are partly occupied by the Group for its business activities. In such circumstances the property is split according to use. When split is not possible if the Group's use does not exceed 20%, the property is classified as investment property. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, based on valuations performed by independent professional valuers. Fair value gain or losses are recorded through profit or loss under non-interest income.

Transfers to and from investment properties

Transfers are made to or from investment property only when there is a change in use and a revaluation is done first before the transfer. If an investment property becomes more than 20% owner occupied where split is not possible, it is reclassified as property and equipment in accordance with IAS 16 (Property, plant and equipment) and its fair value at the date of its classification becomes its cost for subsequent accounting as property and equipment under IAS 16.

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

1.4 PROPERTY AND EQUIPMENT

Property and equipment are stated at gross carrying amount excluding costs of day-to-day servicing less accumulated depreciation and, where applicable, accumulated impairment. Such costs include the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Gross carrying amount represents either cost or the revalued amount, in the case of revalued property. Property and equipment are depreciated over their estimated useful lives on a straight line basis such that the cost or valuations of the assets are reduced to their estimated residual values. The estimated useful lives at the end of this reporting period are:

Buildings	40 years
Computer and other equipment	5 years
Furniture	10 years
Leasehold improvements	10 years
Motor vehicles	3 – 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets` residual values, useful lives and methods of depreciation are reviewed and adjusted, where appropriate, at each financial year end.

Freehold land and buildings are measured at fair value while subsequent additions between valuation dates are shown at cost. Valuations are done by a professional valuer. Any revaluation surplus is credited to the asset

1.4 PROPERTY AND EQUIPMENT (continued)

revaluation reserve except to the extent that it reverses a revaluation loss of the same asset previously recognised in profit or loss in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss except where a deficit directly offsets a previous surplus on the same asset. This deficit is directly offset against the surplus in the asset revaluation reserve.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in comprehensive income in the year the asset is derecognised.

Revaluation reserves are maintained as long as the Group still holds the assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

1.5 FOREIGN CURRENCIES

The presentation and functional currency is the United States Dollar (US$). Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the reporting date. All exchange gains/losses arising on the transaction or settlement of foreign denominated monetary items are recognised in profit or loss.

1.6 TAXATION

Deferred taxation

Deferred income tax is provided using the full liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognised for all taxable temporary differences except:

a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and

b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

1.6 TAXATION (continued)

Deferred tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that were enacted or substantially enacted at the reporting date.

Capital gains tax

Deferred tax arising on valuation of investment property held for capital appreciation or sale and equity investment is computed at the applicable capital gains tax rates ruling at the reporting date.

Value added tax

Revenue, expenses, and assets are recognised net of Value Added Tax (VAT) except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable and receivables and payables that are stated with the amount of VAT included.

1.7 FINANCIAL ASSETS

Initial Recognition

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets held by the Group include balances with banks and cash, money market assets, financial securities advances, investments and deposits.

Financial assets in the scope of IAS 39 (Financial instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and where allowed and appropriate re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Subsequently, financial assets and liabilities (including derivatives) should be measured at fair value, with the following exceptions: Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities should be measured at amortised cost using the effective interest method. Investments in equity instruments with no reliable fair value measurement (and derivatives indexed to such equity instruments) should be measured at cost. Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements of IAS 39. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, or that are accounted for using the continuing-involvement method, are subject to particular measurement requirements. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial

1.7 FINANCIAL ASSETS (continued)

assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, where applicable, are also classified as held for trading unless they are designated and are effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss. (these include certain listed equity investments). Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process. Refer to note 16 on categories of financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss . The Group's available for sale financial assets are the equity investments that are at cost and these are not measured at fair value.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis (where discounted cash flow technique is used, estimated future cash flows are based on management's best estimate and the discount rate is a market related rate, at reporting date, for an instrument with similar terms and conditions), or other valuation models.

Investment in subsidiaries

Investment in subsidiaries are measured at cost.

Balances with banks and cash

Balances with banks and cash comprise cash balances on hand and cash deposited with the central bank and other banks.

Offsetting arrangements

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 FINANCIAL LIABILITIES

Initial recognition

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs are included in the determination of fair value.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Deposits and other liabilities

Deposits, debt securities issued, and other liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method except where the Group chooses to carry the liabilities at fair value through profit or loss.

1.9 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

1.10 IMPAIRMENT

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

The carrying amount of the asset shall be reduced either directly or through use of an allowance account if there is objective evidence that an impairment has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant,

1.10 IMPAIRMENT (continued)

Financial assets carried at amortised cost (continued)

and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment is or continues to be recognised are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed. Any subsequent reversal of an impairment is recognised in profit or loss to the extent that the carrying value of the asset does not exceed what the amortised cost would have been had the impairment is reversed.

Available for sale financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets at fair value

If an available-for-sale asset is impaired an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value less any impairment previously recognised in profit or loss is transferred from equity to profit or loss. Impairment reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss and or other comprehensive income. Reversals of impairment on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment was recognised in profit or loss. The Group's available for sale financial assets are the equity investments that are at cost and these are not measured at fair value.

Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost of disposal and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. Impairment of continuing operations is recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining useful life.

1.11 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and the risks and rewards have passed to the Group.

Trading income

The Group includes profits or losses and fair value adjustments on held for trading financial instruments both realised and unrealised in income as earned.

Interest income

Revenue is recognised in profit or loss on an accrual basis using the effective interest rate method that is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest expense

Expense is recorded in profit or loss according to the terms of the contract or when the right to the payment has been established. Interest expense is calculated on a time proportion basis using effective interest rate method.

Commission and fee income

The Group recognises commission and fee income on an accruals basis when the service is rendered. Commission income on acceptances and bills is credited to income over the lives of the relevant instrument on a time apportionment basis in which case the reversal is taken to the revaluation reserve.

Services rendered

The Group recognises revenue for services rendered to customers based on the estimated outcome of the transactions. When the outcome can be reliably estimated, transaction revenue is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The stage of completion is measured based on the amount of work performed. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses incurred are recoverable.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Property sales

Revenue arising from the sale of property is recognised when the Group transfers the significant risks and rewards of ownership and gives up managerial involvement usually associated with ownership or control, if it is probable that economic benefits will flow to the entity and the amount of revenue and costs can be measured reliably.

Premiums

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the financial reporting date to recognise retrospective adjustments to premiums or commissions. The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern or reinsurance service received. A portion of outwards reinsurance premiums is treated as prepayments.

Commission receivable

Commission receivable relating to the unexpired portion of a risk is recognised at the reporting date calculated on a 1/365 basis.

1.12 BASIS OF ACCOUNTING FOR UNDERWRITING ACTIVITIES.

Underwriting results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses is charged against the earned premiums.

Claims

Claims represent the ultimate cost (net of salvage recoveries) of settling all claims arising from events that have occurred up to the reporting date. Claims incurred but not reported are claims arising out of events which have occurred by the reporting date but have not yet been reported at that date.

Unexpired risk provision

An unexpired risk provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses likely to arise after the end of the financial year from contracts concluded before that date. The expected claims are calculated having regard to events that have occurred prior to the reporting date. Unexpired risks, surpluses and deficits, are aggregated where business classes are managed together.

Liability adequacy test

At each reporting date, the liability adequacy test is performed to ensure the adequacy of the contract liabilities net of Deferred Acquisition Costs (DAC). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration costs are used. Any deficiency is immediately charged to the profit or loss and other comprehensive income initially by writing off the DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test is not reinstated.

Insurance and investment contracts

The Group issues contracts that transfer insurance risk and / or financial risk. Insurance contracts are those that transfer significant insurance risk. Significant insurance risk is defined as the risk of the Group paying benefits on the occurrence of an insured uncertain event. Insurance contracts are classified as short term and include motor, fire, accident, engineering, farming and marine. Premium is recognised over the term of the contract on a proportionate basis. Claims are charged to profit or loss based on an estimated liability for compensation. These claims are not discounted as settlement generally occurs within a reasonable period of the claim. Investment contracts are those that transfer financial risk with no significant insurance risk.

Insurance assets

These comprise reinsurance receivables and deferred acquisition costs.

Reinsurance contracts held

Contracts entered into by the Group with the re-insurers whereby the Group recovers losses on insurance contracts issued are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The assets consist of short term balances due from re-insurers (classified as reinsurance receivables). The amounts recoverable are measured consistently in accordance with the terms of the reinsurance contracts.

Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Lapses and reversals

Lapses relate to the termination of policies due to non-payment of premiums by policyholders. The subsidiary assesses the ability of an insured to settle outstanding amounts at each reporting date. Whenever circumstances or events indicate that the insured may not pay the outstanding amount, a lapse is effected and immediately recognised in profit or loss.

Reversals

Reversals relate to the voluntary termination of policies by policyholders. Reversals are recognised immediately in the statement of profit or loss and comprehensive income on a pro-rata basis i.e. the unexpired term of a policy.

Premium taxes

Outstanding net amounts of levies recoverable from, or payable to, the taxation authorities are included as part of receivables or payables in the statement of financial position.

1.13 EMPLOYEE BENEFITS

Employee benefits are the considerations given by the Group in exchange for services rendered by employees. In summary such benefits are:

Short-term benefits

Benefits earned by employees under normal employment terms including salaries, wages, bonuses and leave pay. These are expensed as earned and accordingly provisions are made for unpaid bonuses and leave pay.

i) The Group and employees contribute towards the National Social Security Authority, a defined contribution fund. Costs applicable to this scheme are determined by the systematic recognition of legislated contributions.

ii) The Group operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. The costs are charged to the profit or loss as incurred.

Employee share option scheme

The Group's Employee Share Options Scheme ("ESOS") is a share-based, equity-settled employee compensation scheme. The ESOS allows the employees of the Group to acquire the shares of the Group upon fulfilling certain conditions.

The total fair value of share options granted to employees is recognised as employee costs in profit or loss with the corresponding increase in the share option reserve in the equity section of the Group over the vesting period of the ESOS, taking into account the probability that the ESOS will vest.

The fair value of ESOS is measured at the grant date, taking into account, if relevant, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on the vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of the original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium account, or until the option expires, it will be transferred to the retained earnings of the Group. The proceeds received, net of any directly attributable transaction costs, are credited to equity when the options are exercised.

1.14 CONTINGENCIES AND COMMITMENTS

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events and principally consist of guarantees provided for third party obligations underwritten. Items are classified as commitments where the Group commits itself to future transactions or if the items will result in the acquisition of assets.

1.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenue and expenses that relate to transactions with any of the Group's other components, for which discreet information is available. All operating segments' operating results are reviewed regularly by the Group Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance.

1.16 FIDUCIARY ACTIVITIES

The Group's Asset Management subsidiary acts as a trustee in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements as they are not assets and income of the Group.

1.17 FINANCIAL GUARANTEES

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

1.18 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, the effects of all potentially dilutive ordinary shares.

1.19 INTANGIBLE ASSETS

The Group's intangible assets mainly comprise computer software. Intangible assets are recorded at cost less any accumulated amortisation and impairment. The estimated useful life at the end of the reporting period for computer software is 3 years. The intangible assets are recognised if and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. The intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

1.20 LEASED ASSETS

Group as lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases not qualifying as finance leases are classified as operating leases. Expenditure relating to operating leases is recognised in profit or loss.

Group as Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income .Contingent rents are recognised as revenue in the period in which they are earned.

1.21 SHARE CAPITAL

Ordinary share capital

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are disposed the resulting surplus or deficit on the transaction is recognised directly in revenue reserve.

1.22 RELATED PARTIES

The Group has related party relationships with its shareholders, subsidiaries, associates, Directors and key management employees, and their close family members. Transactions with related parties are carried out at arm's length.

1.23 FAIR VALUE MEASUREMENT

The Group measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e as prices) or indirectly (i.e derived from prices).This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs .This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable input have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for financial assets or financial liabilities is not actively traded the Group establishes fair value by using valuation techniques. These techniques include the uses of arm's length transactions discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

1.24 LAND INVENTORY

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the Average cost method. The Group first calculates all the costs of the whole area of land inventory (purchase price and development costs) including roads in order to ascertain the total costs of bringing the whole area of land inventory to its resalable condition. When the total costs is obtained it is then divided by the total size of the land inventory (stands) in square meters. This will result in obtaining the cost of the land inventory per square meter. When the individual stands are now sold the cost of each stand is the result of multiplying the size of the individual stand by the cost per square meter.

1.25 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentivesand SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition,

1.25 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. In 2018, the Group will continue to assess the potential effect of IFRS 17 on its consolidated financial statements.

Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at

1.25 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

(a) the investment entity associate or joint venture is initially recognised;
(b) the associate or joint venture becomes an investment entity; and
(c) the investment entity associate or joint venture first becomes a parent.

The amendment should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of the classification and measurement as well as impairment principles of IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

Classification and measurement
The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. In addition, on transition to IFRS 9 entities are required to revoke previous designations of financial assets and financial liabilities measured at fair value through profit or loss where the accounting mismatch no longer exists and are permitted to revoke such designations where accounting mismatches continue to exist.

1.25 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Impact assessment on Classification

The standard will affect the Group's classification and measurement of financial assets as at 01 January 2018 as set out in the following table.

	IAS 39 Classification category	IFRS 9 Classification category
Financial assets		
Balances with banks & cash	Loans & receivables	Amortised cost
Money market assets	Loans & receivables	Amortised cost
Financial Securities	Loans & receivables	Amortised cost
Loans and advances	Loans & receivables	Amortised cost
Other assets	Loans & receivables	Amortised cost
Investments in equities*	Available for sale/ fair value through profit and loss	FVOCI/FVTPL
Financial liabilities		
Deposits	Amortised cost	Amortised cost

- Some of the Group's equity investments are currently measured at cost under IAS 39 and are likely to be measured at fair value through other comprehensive income under IFRS 9.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments) , lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile. IFRS 9 may result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.
All the instruments that are classified as at amortised cost under the classification and measurement will be subject to impairment testing. The Group's equity instruments which were classified as available for sale under IAS 39 will no longer be subject to impairment testing.

Transitional impact

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening Statement of Financial Position at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives. The group is still assessing the quantitative impact for which estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 December 2018. The Group expects an increase in the loss allowance resulting in a negative impact on equity. In addition, the Group will implement changes in classification of certain financial instruments (as discussed above) and there may be an impact on equity.

1.25 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinationally tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide a disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). There is no significant impact on the Group.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are not significantly affecting the Group's annual consolidated financial statements.

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Amendments to IFRS 12Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Bank that is classified) as held for sale. These amendments did not significantly affect the Group's financial statements.

1. INCORPORATION AND ACTIVITIES

The consolidated financial results of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2018. The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance risk advisory and other financial services and is incorporated in Zimbabwe.

2. INTEREST

	31 Dec 2017 US$	31 Dec 2016 US$
Interest income		
Bankers acceptances	356 587	426 719
Overdrafts	52 607 898	83 566 563
Loans	36 131 509	31 171 452
Mortgage interest	10 629 426	15 245 319
Staff loans	3 489 978	3 461 439
Securities Investments	48 639 996	46 618 912
Other investments	1 093 844	692 093
	152 949 238	**181 182 497**
Interest expense		
Call deposits	738 601	1 606 055
Savings deposits	32 124 010	37 190 539
Money market deposits	36 368 567	46 856 513
Other offshore deposits	8 158 887	13 928 923
	77 390 065	**99 582 030**
NET INTEREST INCOME	**75 559 173**	**81 600 467**

3. NET NON-INTEREST INCOME

	31 Dec 2017 US$	31 Dec 2016 US$
Net income from trading securities	34 751	-
Fair value adjustments on financial instruments	2 201 647	442 833
Fair value adjustments on investment properties	1 894 488	(1 015 269)
Net income from foreign currency dealings	4 528 336	2 949 485
Unrealised (loss) / gain on foreign currency	(1 019 410)	(259 340)
Commission and fee income	72 282 687	56 482 839
(Loss)/Profit on disposal of assets	(383 526)	40 629
Bad debts recovered	650 376	1 876 455
Property sales	5 684 939	5 372 866
Rental income	2 713 681	2 374 553
Other operating income	2 810 417	813 922
	91 398 386	**69 078 973**

4. UNDERWRITING INCOME (NET)

	31 Dec 2017 US$	31 Dec 2016 US$
Gross premium insurance	19 123 925	19 211 234
Reinsurance	(5 330 359)	(5 413 120)
Net written premium	**13 793 566**	**13 798 114**
Unearned premium	387 144	961 828
Net earned premium	**14 180 710**	**14 759 942**
Net claims (a)	(5 568 360)	(5 633 032)
Net commission (b)	(536 064)	(821 155)
	8 076 286	**8 305 755**
(a) Net claims		
Gross claims incurred	9 241 746	9 468 920
Reinsurance claims	(3 786 827)	(3 316 509)
Incurred but not yet reported claims	113 441	(519 379)
	5 568 360	**5 633 032**
(b) Net commission		
Commission received	1 302 617	1 224 022
Commission paid	(1 712 828)	(1 920 885)
Deferred acquisition costs	(125 853)	(124 292)
	(536 064)	**(821 155)**

5. OPERATING EXPENDITURE

	31 Dec 2017 US$	31 Dec 2016 US$
Staff costs	53 536 903	54 291 008
Other administration expenses	47 784 511	46 860 526
Audit fees	584 369	588 762
Depreciation	7 885 794	7 351 264
Amortisation of intangible assets	1 182 686	977 107
Write-offs of property & equipment and intangible assets	165 373	160 884
Write-offs of other assets	765 403	414 825
	111 905 039	**110 644 376**
Remuneration of directors / key management personnel (Included in staff costs)		
Fees for service as directors	632 573	1 043 050
Pension for past and present directors	3 324 525	673 710
Salaries and other benefits	7 334 212	7 679 172
	11 291 310	**9 395 932**

The following is an analysis of expenses related to operating leases:

Non –cancellable lease rentals are payable as follows:	31 Dec 2017 US$	31 Dec 2016 US$
Less than 1 year	1 700 070	1 638 641
Between 1 and 5 years	779 664	1 656 450
More than 5 years	-	-
	2 479 734	**3 295 091**

The Group leases a number of buildings under operating leases. The buildings are mainly used by the bank for its various branches. The leases run for a period of 5 years with an option to renew the lease after the expiry date. During the year ended 31 December 2017, an amount of US$2 733 006 (December 2016: US$1 925 601) was recognised as rental expense in the statement of profit or loss and other comprehensive income.

6 TAXATION

The following constitutes the major components of income tax expense recognised in the Statement of profit or loss and other comprehensive Income:

	31 Dec 2017 US$	31 Dec 2016 US$
Current tax	6 573 943	331 547
Deferred tax	(7 295 726)	4 376 555
Income tax expense	**(721 783)**	**4 708 102**

6.1 Tax effects relating to other comprehensive income

Tax expense on revaluation of property and equipment	**366 225**	**53 403**

6.2 Tax rate reconciliation

	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Non-deductible expenses	56.50	52.57
Exempt income	(84.59)	(60.94)
Tax credit	(0.41)	(0.86)
Effective tax rate	**(2.66)**	**16.52**

Included in exempt income is income from government bills, mortgage housing income and dividend income. Non-deductible include expenditure on exempt income, excess pension costs and disallowable donations

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding at end of the year after adjusting for treasury shares.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by sum of the weighted average number of ordinary shares outstanding at end of the year and the weighted average number of potentially dilutive ordinary shares after adjusting for treasury shares. The following reflects the income and shareholding data used in the basic and diluted earnings per share computations:

7. EARNINGS PER SHARE (continued)

	31 Dec 2017 US$	31 Dec 2016 US$
7.1 Earnings per share (cents)		
Basic	5.36	4.53
Fully diluted	5.21	4.40
7.2 Earnings		
Basic earnings (earnings attributable to equity holders of parent)	27 782 891	23 689 820
Fully diluted earnings	27 782 891	23 689 820
Number of shares used in calculations (weighted)	**Shares**	**Shares**
Basic earnings per share	517 863 996	523 252 082
Fully diluted earnings per share	533 248 567	538 430 359

7.3 Reconciliation of denominators used for calculating basic and diluted earnings per share:

Weighted average number of shares before		
Adjustment for treasury shares	686 845 843	686 806 364
Less: Treasury shares held	(168 981 484)	(163 554 282)
Weighted average number of shares used for basic EPS	**517 863 996**	**523 252 082**
Potentially dilutive shares	15 384 571	15 178 277
Weighted average number of shares used for diluted EPS	**533 248 567**	**538 430 359**

8. DIVIDENDS

	31 Dec 2017 US$	31 Dec 2016 US$
Cash dividends on ordinary shares declared and paid:		
Interim dividend paid	1 344 284	1 223 051
Final dividend paid	1 205 682	1 114 560
	2 549 966	**2 337 611**
Interim dividend per share (cents)	0.20	0.23
Final dividend per share (cents)	0.18	0.21

Dividends are paid on shares held at the record date, net of treasury shares, held on the same date. The Dividend per share is calculated inclusive of treasury shares.

Proposed dividends on ordinary shares:		
Final cash dividend	**1 762 371**	**1 602 155**
Final dividend per share	0.26	0.23

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2017.

9. BALANCES WITH BANKS AND CASH

	31 Dec 2017 US$	31 Dec 2016 US$
Cash	11 819 743	9 427 759
Nostro accounts	4 000 099	18 878 945
Balance with the Reserve Bank of Zimbabwe	73 782 874	45 172 652
Interbank clearing accounts	3 960	3 418
	89 606 676	**73 482 774**

10. MONEY MARKET ASSETS

Money market assets are non-credit financial securities with an original maturity of 1 year or less.

	31 Dec 2017 US$	31 Dec 2016 US$
AMA Bills	24 200 000	1 912 000
Agro bills	-	1 420 000
Treasury placements	19 495 440	32 783 045
Aftrades	1 230 938	635 656
ZETDC	-	546 333
Accrued interest	893 699	214 973
	45 820 077	**37 512 007**

10.1 Maturity analysis

Maturity analysis of money market assets is shown below

	31 Dec 2017 US$	31 Dec 2016 US$
Between 0 and 3 months	17 685 315	32 340 662
Between 3 and 6 months	167 255	909 447
Between 6 months and 12 months	27 967 507	4 261 898
	45 820 077	**37 512 007**

11. FINANCIAL SECURITIES

Financial securities are non-credit financial assets with an original maturity of more than 1 year.

	31 Dec 2017 US$	31 Dec 2016 US$
Treasury bills	882 558 352	751 645 905
ZETDC	347 665	-
Accrued interest	16 956 205	8 890 152
	899 862 222	**760 536 057**

Maturity analysis

Maturity analysis of financial securities is shown below

	31 Dec 2017 US$	31 Dec 2016 US$
Between 0 and 3 months	26 649 412	46 657 787
Between 3 and 6 months	5 678 424	1 510 156
Between 6 and 12 months	38 007 224	26 341 510
Between 1 and 5 years	232 726 096	156 643 663
Above 5 years	596 801 066	529 382 941
	899 862 222	**760 536 057**

Maturity analysis is based on the remaining period from 31 December 2017 to contractual maturity.

12. LOANS AND ADVANCES TO CUSTOMERS

	31 Dec 2017 US$	31 Dec 2016 US$
Overdrafts	489 967 037	528 694 701
Commercial Loans	366 528 626	365 701 540
Staff loans	54 551 700	57 455 489
Mortgage advances	83 479 732	106 829 953
	994 527 095	**1 058 681 683**
Interest accrued	25 505 959	9 292 767
Total gross loans and advances to customers	**1 020 033 054**	**1 067 974 450**
Impairment provision (including interest in suspense)	(78 624 951)	(60 802 293)
	941 408 103	**1 007 172 157**

12.1 Sectoral analysis

	31 Dec 2017 US$	%	31 Dec 2016 US$	%
Private	182 562 405	18	191 112 349	18
Agriculture	248 017 847	24	250 771 986	24
Mining	10 641 051	1	9 764 786	1
Manufacturing	67 034 854	7	100 708 876	9
Distribution	92 677 855	9	114 916 923	11
Construction	8 603 879	1	7 105 680	1
Transport	8 370 306	1	12 209 680	1
Communication	127 705	-	11 884	-
Services	162 740 665	16	153 633 755	14
Financial organisations	239 256 487	23	227 738 531	21
	1 020 033 054	**100**	**1 067 974 450**	**100**

12.2 Maturity analysis

	31 Dec 2017 US$	31 Dec 2016 US$
Less than 1 month	398 269 371	453 831 069
Between 1 and 3 months	98 764 134	45 289 663
Between 3 and 6 months	36 766 238	15 710 628
Between 6 months and 1 year	55 740 341	71 812 691
Between 1 and 5 years	90 417 126	115 948 102
More than 5 years	340 075 844	365 382 297
	1 020 033 054	**1 067 974 450**

Maturity analysis is based on the remaining period from 31 December 2017 to contractual maturity.

12. LOANS AND ADVANCES TO CUSTOMERS (continued)

12.3 Loans to directors, key management and employees

Loans to directors and key management

Included in advances are loans to Executive Directors and key management:-

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	8 178 093	8 223 239
Advances made during the year	702 314	611 259
Repayments during the year	(623 814)	(656 405)
Closing balance	**8 256 593**	**8 178 093**

Loans to employees

Included in advances are loans to employees		
Opening balance	49 277 396	47 261 942
Advances made during the year	2 174 409	6 680 242
Repayments during the year	(5 156 699)	(4 664 788)
Closing balance	**46 295 106**	**49 277 396**

12.4 Non performing advances

Total advances on which interest is suspended	**112 148 194**	**70 622 426**

12.5 Impairment Provisions

Opening balance	60 802 293	74 938 709
Charge for impairment on advances	35 852 917	19 594 299
Interest in suspense	11 676 411	(1 057 208)
Amounts written off during the year	(29 706 670)	(32 673 507)
Closing balance	**78 624 951**	**60 802 293**

Comprising:

Specific impairments	48 293 643	33 231 459
Portfolio impairments	30 331 308	27 570 834
	78 624 951	**60 802 293**

12.6 Collaterals

Mortgage bonds	935 716 037	932 012 190
Notarial general covering bonds	760 471 807	760 371 701
Cash cover	15 290 945	14 093 465
	1 711 478 789	**1 706 477 356**

12.7 Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers in order to maximize collection opportunities, retention of customers and response to changing market and regulatory conditions. The modified loans are accounted for as a new facility. The revised terms usually include extending the maturity, changing the timing and rates of interest payments and amending the terms of loan covenants. Both retail and corporate loans may be subjected to renegotiation. The Group, periodically assesses renegotiated loans. As at 31 December 2017, the Group is satisfied that there is no significant increase in financial risk due to the renegotiations entered into and allowed during the course of the year.

		31 Dec 2017 US$	31 Dec 2016 US$
13.	**INSURANCE ASSETS**		
	Reinsurance unearned premium reserve	1 350 740	1 300 868
	Reinsurance receivables	1 090 930	1 933 428
	Deferred acquisition cost	586 788	679 407
	Insurance premium receivables	2 690 478	1 681 404
	Suspended premium	(57 944)	(53 812)
	Impairment provisions	(848 162)	(689 408)
		4 812 830	**4 851 887**
13.1	**Reinsurance unearned premium reserve**		
	Unearned premiums at the beginning of the year	1 300 868	1 531 253
	Written premiums	5 261 049	5 292 959
	Premium earned during the year	(5 211 177)	(5 523 344)
	Unearned premiums at the end of the year	**1 350 740**	**1 300 868**
13.2	**Impairment on insurance assets**		
	Opening balance	689 408	436 451
	Charge of impairement on insurance receivables	158 754	252 957
	Closing balance	**848 162**	**689 408**

		31 Dec 2017 US$	31 Dec 2016 US$
14.	**OTHER ASSETS**		
	Land inventory	61 906 731	59 963 806
	Prepayments and deposits	1 734 848	1 681 360
	Other receivables	8 375 230	9 804 931
		72 016 809	**71 450 097**
15.	**EQUITIES INVESTMENTS**		
	Opening balance	7 826 107	7 233 272
	Fair value adjustments	2 201 647	442 833
	Investments in equities disposed during the year	(1 694 908)	-
	Investments in equities during the year	2 354 694	150 002
	Closing balance	**10 687 540**	**7 826 107**
15.1	**Investments in equity instruments**		
	Listed investments	4 677 482	1 553 193
	Unlisted investments	6 010 058	6 272 914
		10 687 540	**7 826 107**
	At cost	6 010 058	6 272 914
	At fair value	4 677 482	1 553 193
		10 687 540	**7 826 107**

Other equity investments which are neither listed nor traded on an active market are valued at cost. There are no recent arm's length transactions in the financial market which are of similar nature to the equity investments that CBZ Holdings holds. Further, after considering the availability, reliability and efficiency of other valuation techniques, the inputs available and other factors, CBZ Holdings decided to hold financial investments at cost.

15. EQUITIES INVESTMENTS (continued)

15.2 Investments in subsidiaries

	31 Dec 2017 US$	%	31 Dec 2016 US$	%
CBZ Bank Limited	21 839 891	100	21 839 891	100
CBZ Asset Management t/a Datvest	1 987 950	100	1 987 950	100
CBZ Building Society	19 114 990	100	19 114 990	100
CBZ Insurance (Private) Limited	2 259 839	98.4	1 690 879	89.37
CBZ Properties (Private) Limited	4 779 144	100	4 779 144	100
CBZ Life Assurance (Private) Limited	1 388 014	100	1 388 014	100
CBZ Asset Management (Mauritius)	132 990	100	132 990	100
CBZ Risk Advisory (Private) Limited	545 080	100	545 080	100
RedSphere Finance (Private) Limited	520 250	100	-	
	52 568 148		**51 478 938**	

During the year CBZ Holdings established Redsphere Finance (Private) Limited and it is 100% owned by the Company. The Company also increased its shareholdings in CBZ Insurance as detailed in note 27.7.1.

16. CATEGORIES OF FINANCIAL INSTRUMENTS

	At fair value through profit or loss US$	Available for sale US$	Loans and receivables US$	Total carrying amount US$
31 December 2017				
Financial assets				
Balances with banks and cash	-	-	89 606 676	89 606 676
Money market assets	-	-	47 953 444	47 953 444
Financial securities	-	-	897 728 855	897 728 855
Loans and advances to customers	-	-	941 408 103	941 408 103
Insurance assets	-	-	4 812 830	4 812 830
Equity investments	4 677 482	6 010 058	-	10 687 540
Other assets	-	-	8 375 229	8 375 229
Total	**4 677 482**	**6 010 058**	**1 989 885 137**	**2 000 572 677**
31 December 2016				
Financial assets				
Balances with banks and cash	-	-	73 482 774	73 482 774
Money market assets	-	-	37 512 007	37 512 007
Financial securities	-	-	760 536 057	760 536 057
Loans and advances to customers	-	-	1 007 172 157	1 007 172 157
Insurance assets	-	-	4 851 887	4 851 887
Equity investments	1 553 193	6 272 914	-	7 826 107
Other assets	-	-	11 486 291	11 486 291
Total	**1 553 193**	**6 272 914**	**1 895 041 173**	**1 902 867 280**

17. PROPERTY AND EQUIPMENT

31 December 2017 Cost	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer and equipment US$	Furniture and fittings US$	Work in progress US$	Total US$
Opening balance	5 254 461	43 704 177	805 435	6 417 459	30 599 354	7 143 597	4 068 804	97 993 287
Additions	-	25 554	64 139	151 240	3 181 863	205 613	2 501 436	6 129 845
Revaluation	(4 000)	(514 823)	-	-	-	-	-	(518 823)
Impairments	-	(1 171)	-	-	(22 618)	(10 244)	(142 705)	(176 738)
Disposals	-	-	-	(201 582)	(202 901)	(51 846)	-	(456 329)
Transfer to intangible assets	-	-	-		-	-	(713 376)	(713 376)
Transfers from investment properties	-	-	-		-	_	(54 106)	(54 106)
Transfers (PPE inter-categories)	-	116 814	-	89 350	1 690 498	6 112	(1 902 774)	-
Closing balance	**5 250 461**	**43 330 551**	**869 574**	**6 456 467**	**35 246 196**	**7 293 232**	**3 757 279**	**102 203 760**
Accumulated depreciation and impairment								
Opening balance	-	-	428 746	3 805 247	18 641 289	2 897 967	-	25 773 249
Charge for the year	-	2 733 482	81 826	837 307	3 583 707	649 472	-	7 885 794
Disposals	-	-	-	(103 556)	(172 661)	(26 792)	-	(303 009)
Transfer on revaluation	-	(2 732 552)	-	-	-	-	-	(2 732 552)
Write- offs	-	(930)	-	-	(17 918)	(6 595)	-	(25 443)
Closing balance	**-**	**-**	**510 572**	**4 538 998**	**22 034 417**	**3 514 052**	**-**	**30 598 039**
Net book value	**5 250 461**	**43 330 551**	**359 002**	**1 917 469**	**13 211 779**	**3 779 180**	**3 757 279**	**71 605 721**

17. PROPERTY AND EQUIPMENT (continued)

31 DECEMBER 2016 Cost	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer and equipment US$	Furniture and fittings US$	Work in progress US$	Total US$
Opening balance	5 287 613	49 571 576	805 435	5 733 574	25 388 963	6 916 948	5 331 414	99 035 523
Additions	-	50 842	-	868 077	2 874 656	203 718	2 463 877	6 461 170
Revaluation	(33 152)	(1 989 146)	-	-	-	-	-	(2 022 298)
Impairments	-	(198 920)	-	-	-	(32 740)	-	(231 660)
Disposals	-	-	-	(184 192)	(101 461)	(32 464)	(33 288)	(351 405)
Transfers to other assets	-	-	-	-	(519)	(3 225)	-	(3 744)
Transfer to intangibles	-	-	-	-	-	-	(1 124 088)	(1 124 088)
Transfers to investment properties	-	(3 764 750)	-	-	-	-	(5 461)	(3 770 211)
Transfers (PPE intercategories)	-	34 575	-	-	2 437 715	91 360	(2 563 650)	-
Closing balance	**5 254 461**	**43 704 177**	**805 435**	**6 417 459**	**30 599 354**	**7 143 597**	**4 068 804**	**97 993 287**
Accumulated depreciation and impairment								
Opening balance	-	-	350 202	3 182 255	15 451 678	2 366 999	-	21 351 134
Charge for the year	-	2 626 375	78 544	788 764	3 218 729	638 852	-	7 351 264
Disposals	-	-	-	(165 772)	(91 241)	(22 961)	-	(279 974)
Transfer on revaluation	-	(2 539 724)	-	-	-	-	-	(2 539 724)
Impairments		(86 651)	-	-	-	(22 800)	-	(109 451)
Closing balance	**-**	**-**	**428 746**	**3 805 247**	**18 579 166**	**2 960 090**	**-**	**25 773 249**
Net book value	**5 254 461**	**43 704 177**	**376 689**	**2 612 212**	**12 020 188**	**4 183 507**	**4 068 804**	**72 220 038**

17. PROPERTY AND EQUIPMENT (continued)

Properties were revalued on an open market basis by an independent professional valuer, as at 31 December 2017 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

In determining the market values of the subject properties, the following was considered:

- Comparable market evidence which comprised of complete transactions as well as transactions where offers had been made but the transactions had not been finalised.
- Professional judgement was exercised to take cognisance of the fact that properties in the transactions were not exactly comparable in terms of size, quality and location to the properties owned by the Group.
- The reasonableness of the market values of commercial properties so determined, per above bullet, was assessed by reference to the properties in the transaction.
- The values per square metre of lettable spaces for both the subject properties and comparables were analysed.
- With regards to the market values for residential properties, the comparison method was used. This method entails carrying out a valuation by directly comparing the subject property, which has been sold or rented out. The procedure was performed as follows:
  i. Surveys and data collection on similar past transactions.
  ii. Analysis of collected data.

- Comparison of the analysis with the subject properties and then carrying out the valuation of the subject properties. Adjustments were made to the following aspects:
  a) Age of property – state of repair and maintenance,
  b) Aesthetic quality – quality of fixtures and fittings,
  c) Structural condition – location,
  d) Accommodation offered – size of land.

The maximum useful lives are as follows:

Buildings	40 years
Motor vehicles	3 – 5 years
Leasehold improvements	10 years
Computer equipment	5 years
Furniture and fittings	10 years

The carrying amount of buildings would have been US$25 201 690 (December 2016:US$25 827 521 had they been carried at cost. Further details on fair valuation hierachy are provided in note 35.

If the fair value adjustment had been 5% up or down, the Group's Other Comprehensive Income would have been $91 887 higher or lower the reported position.

Property was tested for impairment through comparison with the open market values determined by independent valuers.

18. INVESTMENT PROPERTIES

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	32 601 223	27 944 072
Additions	1 250 537	1 642 209
Transfer from property and equipment	54 106	3 770 211
Disposals	(1 850 000)	-
Transfer from other assets	-	260 000
Fair valuation gain / (loss)	1 894 488	(1 015 269)
Closing balance	**33 950 354**	**32 601 223**

The carrying amount of the investment property is the fair value of the property as determined by a registered independent appraiser having, an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties and also in reference to the rental yields applicable to similar properties. The properties were valued as at 31 December 2017. Further details on fair valuation hierarchy are provided in note 35.

If the fair value adjustment had been 5% up or down, the Group's profit would have been $37 692 lower or higher and the Statement of Financial Position would have been $94 724 higher or lower than the reported position.

The rental income derived from investments properties amounted to US$ 1 986 496 (December 2016: US$ 1 152 430) and direct operating expenses amounted to US$253 528 (December 2016: US$113 583).

Below is a summary of expected income from investment property leases held by the Group as at 31 December 2017:

	31 Dec 2017 US$	31 Dec 2016 US$
Up to 1 year	1 392 133	884 302
Between 1 and 5 years	555 839	232 590
	1 947 972	**1 116 892**

19. INTANGIBLE ASSETS

Computer software		
At cost	7 134 304	6 503 710
Accumulated amortisation	(4 604 224)	(3 806 289)
	2 530 080	**2 697 421**
Movement in intangible assets:		
Opening balance	2 697 421	1 509 346
Additions	316 047	1 079 769
Transfer from property and equipment	713 376	1 124 088
Write-offs charges	(14 078)	(38 675)
Amortisation charge	(1 182 686)	(977 107)
Closing balance	**2 530 080**	**2 697 421**

Intangible assets are carried at cost less accumulated amortisation charge. The intangible assets, which comprise computer software, are amortised over an estimated useful life of 3 years.

20. DEFERRED TAXATION

20.1 Deferred tax asset

Deferred tax asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, unused tax losses and unused tax credits.

20.1.1a) The deferred tax included in the statement of profit or loss and other comprehensive income are comprised of;

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	12 566 810	17 171 546
Assessed loss	(3 035)	(74 124)
Impairments and provisions	4 128 662	(3 367 207)
Intangible assets	38 828	(26 995)
Prepayments	421 799	560 823
Property and equipment	(112 831)	24 740
Tax claimable impairments	2 571 015	854 229
Investment properties	(275 262)	56 551
Other	396 833	(2 632 753)
Closing balance	**19 732 819**	**12 566 810**

20.1.1b) The deferred tax included in the statement of financial position are comprised of;

	31 Dec 2017 US$	31 Dec 2016 US$
Assessed loss	14 523	17 558
Impairments and provisions	20 186 755	16 058 092
Equity investments	(2 866)	(2 866)
Intangible assets	(393)	(39 221)
Prepayments	(411 976)	(833 775)
Property and equipment	(5 586 509)	(5 473 678)
Tax claimable impairments	5 396 450	2 825 435
Investment properties	(11 919)	263 341
Other	148 752	(248 076)
Closing balance	**19 732 819**	**12 566 810**

20.2 Deferred tax liability

Deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

20.2.1a) The deferred tax included in the statement of financial position and changes recorded in the statement of profit or loss and other comprehensive income comprised of:

Opening balance	2 359 408	2 534 187
Equity investments	10 110	3 831
Property and equipment	1 896	(17 645)
Intagible assets	(122)	-
Investment properties	224 624	(63 156)
Other	-	(97 809)
Closing balance	**2 595 916**	**2 359 408**

20. DEFERRED TAXATION (continued)

20.2.1b) The deferred tax included in the statement of financial position comprised of:

	31 Dec 2017 US$	31 Dec 2016 US$
Equity investments	(11 623)	(21 733)
Property and equipment	988 072	986 176
Investment properties	1 619 077	1 394 455
Intangible assets	388	510
Closing balance	**2 595 914**	**2 359 408**

The Group has US$365 983 as unutilised tax losses

21. DEPOSITS

Call deposits	18 095 584	11 303 411
Savings and other deposits	1 305 129 515	1 054 695 613
Money market deposits	456 206 655	606 173 907
Lines of credit	69 240 923	96 174 558
Accrued interest	5 004 996	8 807 264
	1 853 677 673	**1 777 154 753**

21.1 Deposits by type

Retail	218 418 499	155 145 969
Corporate	1 106 005 842	911 849 912
Money market	458 912 378	611 077 928
Lines of credit	70 340 954	99 080 944
	1 853 677 673	**1 777 154 753**

Lines of credit relate to borrowings from a foreign bank or financial institutions. These have an average tenure of 2.4 years with an average interest rate of 7.6% and are secured by a variety of instruments which include lien over bank accounts, guarantees, treasury bills and sub borrower securities.

21.2 Sectoral Analysis

	31 Dec 2017 US$	%	31 Dec 2016 US$	%
Private	129 723 483	7	88 636 424	5
Agriculture	65 818 977	4	54 321 702	3
Mining	19 945 491	1	16 625 453	1
Manufacturing	164 937 936	9	125 340 664	7
Distribution	364 293 653	20	296 085 858	17
Construction	46 437 539	3	38 714 651	2
Transport	31 751 015	2	26 191 824	1
Communication	41 746 057	2	36 278 492	2
Services	687 266 989	37	582 644 267	33
Financial organisations	281 973 254	15	487 396 643	28
Financial and investments	19 783 279	1	24 918 775	1
	1853 677 673	**100**	**1 777 154 753**	**100**

21. DEPOSITS (continued)

21.3 Maturity analysis

	31 Dec 2017 US$	31 Dec 2016 US$
Less than 1 month	1 457 852 540	451 608 712
Between 1 and 3 months	207 618 305	342 776 681
Between 3 and 6 months	104 566 539	222 852 073
Between 6 months and 1 year	22 575 703	391 358 214
Between 1 and 5 years	46 583 659	210 474 249
More than 5 years	14 480 927	158 084 824
	1 853 677 673	**1 777 154 753**

Maturity analysis is based on the remaining period from 31 December 2017 to contractual maturity.

22. INSURANCE LIABILITIES

Gross unearned premium reserve (a)	3 142 147	763 507
Gross outstanding claims (b)	1 211 259	2 359 305
Reinsurance payables(c)	747 363	3 035 840
Deferred reinsurance acquisition revenue (d)	353 083	312 298
	5 453 852	**6 470 950**

22.1 Insurance contract provisions

(a) Gross unearned premium reserve

Unearned premiums beginning of year	3 035 840	3 079 891
Written premiums	10 435 728	10 220 701
Premiums earned during the year	(10 329 421)	(10 264 752)
Unearned premiums at end of year	**3 142 147**	**3 035 840**

(b) Gross Outstanding claims provision

Outstanding claims at beginning of year	2 359 305	953 962
Claims incurred	5 584 039	5 524 190
Incurred but not reported claims provision (IBNR)	118 237	17 127
Claims paid	(6 850 322)	(4 135 974)
Outstanding claims at end of year	**1 211 259**	**2 359 305**

(c) Reinsurance payables

Reinsurance payables at beginning of year	763 507	605 094
Premiums ceded during the year	4 853 094	4 718 951
Reinsurance paid	(4 869 238)	(4 560 538)
Reinsurance payables at end of year	**747 363**	**763 507**

22. INSURANCE LIABILITIES (continued)

(d) Deferred re-insurance acquisition reserve

	Unearned Commissions US$	Deferred Acquisition US$	Net US$
Dec 2017			
Unearned at beginning of year	312 298	368 242	(55 944)
Written premiums	1 199 669	1 248 974	(49 305)
Earned during the year	(1 158 884)	(1 208 255)	49 371
Unearned at end of year	**353 083**	**408 961**	**(55 878)**
Dec 2016			
Unearned at beginning of year	**316 775**	**330 247**	**(13 472)**
Written premiums	1 123 500	1 187 637	(64 137)
Earned during the year	(1 127 977)	(1 149 642)	21 665
Unearned at end of year	**312 298**	**368 242**	**(55 944)**

23 LIFE FUND

23.1 Movement in Life fund

	Unearned Premium Reserve US$	Incurred But Not Reported US$	Total US$
Dec 2017			
Opening balance	1 313 343	531 649	1 844 992
Transfer from income	(374 268)	(4 796)	(379 064)
Closing balance	**939 075**	**526 853**	**1 465 928**
Dec 2016			
Opening balance	2 292 534	1 068 154	3 360 688
Transfer to income	(979 191)	(536 505)	(1 515 696)
Closing balance	**1 313 343**	**531 649**	**1 844 992**

23.2 Life funds Liabilities as supported by the following net assets

	31 Dec 2017 US$	31 Dec 2016 US$
Money Market assets	874 418	1 017 897
Prescribed assets	153 541	77 095
Listed equity investment	40 586	-
Investment property	397 383	750 000
	1 465 928	**1 844 992**

24. OTHER LIABILITIES

Revenue received in advance	2 574 104	827 799
Sundry creditors	2 438 303	1 091 013
Suspense accounts	2 463 711	1 579 829
Accruals	1 865 581	1 932 645
Provisions	8 609 509	8 427 947
	17 951 208	**13 859 233**

	31 Dec 2017 US$	31 Dec 2016 US$

25. LIFE ASSURANCE INVESTMENT CONTRACT LIABILITIES

25.1 Investment contract liabilities movement

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	1 517 121	1 314 713
Interest on GEP Fund	76 067	84 427
Fund Management expenses	(23 501)	(26 938)
GEP Investment	906 391	701 399
GEP Withdrawals	(669 146)	(556 480)
Closing Balance	**1 806 932**	**1 517 121**

25.2 Life assurance investment contract liabilities are supported by the following net assets

	31 Dec 2017 US$	31 Dec 2016 US$
Money market assets	1 433 039	939 008
Cash	249 203	276 303
Listed equity investment	124 690	-
Prescribed assets	-	301 810
	1 806 932	**1 517 121**

26. CATEGORIES OF FINANCIAL LIABILITIES

The Group's financial liabilities are carried at amortised cost.

27. EQUITY

27.1 Share capital

Authorised

	31 Dec 2017 US$	31 Dec 2016 US$
1 000 000 000 ordinary shares of US$ 0.01 each	**10 000 0000**	**10 000 000**

Issued and fully paid	**shares**	**shares**
Opening balance	686 828 740	686 768 943
Employee share options	50 755	59 797
Closing balance	**686 879 495**	**686 828 740**

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	6 868 288	6 867 689
Exercise of share options	507	599
Closing balance	**6 868 795**	**6 868 288**

27.2 Share premium

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	40 008 086	40 001 416
Exercise of share option reserve	5 662	6 670
Closing balance	**40 013 748**	**40 008 086**

27. EQUITY (continued)

27.3 Treasury shares

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	17 588 582	16 810 640
Share buyback	-	777 942
Closing balance	**17 588 582**	**17 588 582**

The Group held 168 981 847 treasury shares as at 31 December 2017.

27.4 Revaluation reserve

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	27 089 982	26 625 959
Net revaluation gain	1 837 542	464 023
Closing balance	**28 927 524**	**27 089 982**

27.5 Employee Share option reserve

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	1 101 026	1 032 565
Share options to employees	34 023	68 461
Closing balance	**1 135 049**	**1 101 026**

During the year 50 755 shares were exercised after vesting and US$ 4 472 was realised from the exercise. The average exercise price was $0.088 per share.

Shares under option

The Directors are empowered to grant share options to senior executives and staff of the Company up to a maximum of 40 000 000 shares. The options are granted for a period of 10 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of the share options outstanding as at 31 December 2017 were as follows:

	Subscription Price	Number of Shares
Granted 1 June 2012	$0.0881	40 000 000

	31 Dec 2017 Shares	31 Dec 2016 Shares
Movement for the year		
Opening balance	37 331 624	37 391 389
Options exercised	(50 755)	(59 765)
Closing balance	**37 280 869**	**37 331 624**

No share options were forfeited or expired during the year.

A valuation of the share option scheme was carried out by professional valuers. The estimated fair value of the options granted was determined using the binomial model in accordance with IFRS 2 "Share Based Payments" with inputs and assumptions:

Grant date share price (US cents)	8.81
Exercise price (US cents)	8.81
Expected volatility	50%
Dividend yield	2.5%
Risk-free interest rate	5.70%

Valuation inputs:

Exercise price

The scheme rules state that the price for the shares comprised in an option shall be the middle market price ruling on the Zimbabwe Stock Exchange on the day which the options are granted.

Expected volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a period, for example between grant date and the exercise date. Volatility was calculated using the geometric Brownian motion process on share prices.

Expected dividends

When estimating the fair value of options, the projected valuation of shares is reduced by the present value of dividends expected to be paid during the vesting period. This is because the payment of dividends reduces the value of a Company.

Risk free rate of return

A risk free rate of return is the interest rate an investor would expect to earn on an investment with no risk which is usually taken to be a Government issued security. It is the interest rate earned on a riskless security over a specified time horizon. Given that the valuation was done in United States dollars, the risk free rate was estimated based on the yield on 10 year treasury bills issued by the Federal Reserve Bank of the United States of America of 2.02%. This value was adjusted for the inflation differential between Zimbabwe and the United States of America. All options expire, if not exercised, 10 years after the date of grant.

27. EQUITY (continued)

27.6 Revenue reserve

	31 Dec 2017 US$	31 Dec 2016 US$
The revenue reserve comprises:		
Holding Company	12 977 082	14 400 232
Subsidiary companies	241 881 187	215 095 907
Effects of consolidation journals	(4 645 485)	(4 410 528)
	250 212 784	**225 085 611**

27.7 Non-controlling interests (NCI)

	31 Dec 2017 US$	31 Dec 2016 US$
Non-controlling interests comprise:		
Opening balance	542 907	468 104
Total comprehensive income	56 027	95 641
Dividend paid	(19 442)	-
Change in degree of control	(463 205)	(41 438)
Rights issue	-	20 600
Closing balance	**116 287**	**542 907**

27.7.1 Change in degree of control in subsidiary (CBZ Insurance)

On 31 March, CBZ Holdings increased its shareholding in its subsidiary (CBZ Insurance) from 89.37% to 98.4% through purchasing 9.03% of the Non-controlling interest. The net assets of CBZ Insurance shareholders (Private) Limited as at that date were US$5.13 million.

	%
CBZ Holdings equity share at 31 December 2016	89.37
Non-controlling interest purchased on 31 March 2017	9.03
CBZ Holdings equity share at 31 December 2017	**98.4**

27.7.2 Impact on CBZ Holdings share of CBZ Insurance net assets (NCI)

Below is the impact of the changes in shareholding on the equity attributable to owners of the parent

	31 Dec 2017 US$	31 Dec 2016 US$
Cash consideration paid	568 957	-
Carrying amount of additional interest	(463 205)	-
Gains recognised in equity	**105 752**	**-**

28. CAPITAL MANAGEMENT

CBZ Bank Limited and CBZ Building Society adopted the Group Internal Capital Adequacy Assessment Policy (ICAAP) which enunciates CBZ Holdings Limited approach, assessment and management of risk and capital from an internal perspective that is over and above the minimum regulatory rules and capital requirements of Basel II. The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value. ICAAP incorporates a capital management framework designed to satisfy the needs of key stakeholders i.e depositors, regulators, rating agencies who have specific interest in its capital adequacy and optimal risk taking to ensure its going concern status (solvency). The focus is also targeted at the meeting the expectations of those stakeholders i.e. shareholders, analysts, investors ,clients and the general public who are interested in looking at the profitability of the Group vis-a-vis assumed levels of risk (risk vs return). Also refer to note 36 which shows capital adequacy.

29. CONTINGENCIES AND COMMITMENTS

29.1 Compliance matter

CBZ Bank Limited is co-operating in ongoing investigations by the Office of Foreign Asset Control (OFAC) regarding historical transactions involving a party that was subject to OFAC economic sanctions. Based on the facts currently known, it is not practicable at this time for CBZ Bank to determine the terms on which the ongoing investigations will be resolved, or the timing of such resolution, or for CBZ Bank to estimate reliably the amounts or range of possible amounts of any fines and/or penalties which could be significant

	31 Dec 2017 US$	31 Dec 2016 US$
Contingent liabilities		
Guarantees	**8 428 749**	**20 681 653**
Capital commitments		
Authorised and contracted for	2 126 942	1 232 940
Authorised but not yet contracted for	1 186 581	1 071 035
	3 313 523	**2 303 975**

The capital commitments will be funded from the Group`s own resources.

30. FUNDS UNDER MANAGEMENT

Pensions	219 889 897	134 132 033
Institutional & individual clients - Equities	22 472 776	6 898 445
Unit trusts	787 479	539 652
Institutional & individual clients – Fixed Income	7 353 045	6 076 753
	250 503 197	**147 646 883**

Funds under management are the total market value of financial assets that the Group manages on behalf of its clients.

31. OPERATING SEGMENTS

The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe and has no other operations outside Zimbabwe. Management has organised its operating segments on the basis of products and services offered. The Group is comprised of the following operating segments.

Banking Operations	Provides commercial banking and mortgage finance products through retail banking, corporate and merchant banking and investing portfolios through the treasury function.
Mortagage Finance	Provides mortgage financing to its clients for both finance and commecial purposes.
Asset Management	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
Insurance Operations	Provides short term insurance and long term insurance. The segment also provides Risk Advisory Services to its clients as part of its insurance operations function.
Property Investments	Property investment arm of the Group.
Other Operations	Other operations provided by the Group include microfinancing package by Redsphere Finances and the equity investments by the Holdings Company.

The table on the next page shows the segment results for the year ended 31 December 2017.
As at 31 December 2017, there were no major individual customers contributing more than 10% of the total income.

31 OPERATING SEGMENTS (continued)

31.1 Segment operational results

	Commercial banking US$	Mortgage finance US$	Asset management US$	Insurance operations US$	Property Investment US$	Other operations US$	Elimination of intersegment amounts US$	Consolidated US$
Income								
Total income for the year ended 31 Dec 2017	134 989 718	26 788 705	2 953 318	11 910 445	1 080 803	11 738 899	(14 428 043)	175 033 845
Total income for the year ended 31 Dec 2016	118 328 130	31 422 433	2 148 953	9 688 335	109 102	6 089 700	(8 801 458)	158 985 195
Net underwriting income for the year ended 31 Dec 2017	–	–	–	8 924 732	–	–	(848 446)	8 076 286
Net underwriting income for the year ended 31 Dec 2016	–	–	–	8 423 249	–	–	(117 494)	8 305 755
Depreciation and amortisation for the year ended 31 Dec 2017	7 205 257	1 331 029	48 653	378 143	3 140	45 115	57 143	9 068 480
Depreciation and amortisation for the year ended 31 Dec 2016	6 204 368	1 335 111	50 356	306 422	–	371 399	60 715	8 328 371
Charge for impairment for the year ended 31 Dec 2017	34 408 750	1 814 408	18 144	135 846	–	422 594	–	36 799 742
Charge for impairment for the year ended 31 Dec 2016	20 125 761	(50 004)	–	337 245	–	9 963	–	20 422 964
Results								
Profit before taxation for the year ended 31 Dec 2017	24 044 716	101 615	871 274	5 817 040	1 049 118	1 141 852	(5 908 480)	27 177 135
Profit before taxation for the year ended 31 Dec 2016	20 049 585	6 691 661	115 609	3 706 247	84 047	(2 262 000)	108 414	28 493 563
Cash flows								
Generated from operating activities for the year ended 31 Dec 2017	23 244 215	1 663 258	839 370	6 685 190	7 906	4 228 917	(10 252 046)	26 416 810
Generated from operating activities for the year ended 31 Dec 2016	39 723 282	(584 292)	(139 904)	2 469 619	77 344	1 587 814	137 363	43 271 226
Utilised in investing activities for the year ended 31 Dec 2017	(2 842 596)	(394 295)	(389 086)	(3 372 595)	(28 232)	(1 221 418)	1 089 207	(7 159 015)
Utilised in investing activities for the year ended 31 Dec 2016	(6 763 694)	(211 256)	–	(2 104 190)	–	(687 030)	545 080	(9 221 090)
Utilised in financing activities for the year ended 31 Dec 2017	(4 950 000)	–	–	(1 026 664)	–	(2 545 493)	5 388 264	(3 133 893)
Utilised in financing activities for the year ended 31 Dec 2016	–	–	–	565 680	–	(3 110 284)	(545 080)	(3 089 684)
Assets and liabilities								
Reportable segment liabilities for the year ended 31 Dec 2017	1 803 406 290	99 093 779	512 281	12 053 121	753 052	12 039 035	(44 887 994)	1 882 969 564
Reportable segment liabilities for the year ended 31 Dec 2016	1 745 961 924	100 799 450	393 056	11 947 270	672 942	9 861 791	(66 134 711)	1 803 501 722
Total segment assets for the year ended 31 Dec 2017	1 991 519 135	191 631 709	3 805 933	37 044 316	11 496 276	55 968 226	(98 810 426)	2 192 655 169
Total segment assets for the year ended 31 Dec 2016	1 912 591 402	192 446 244	3 068 816	32 315 405	10 446 655	54 650 841	(118 910 323)	2 086 609 040

32. RELATED PARTIES

The Group does not have an ultimate parent as it is owned by several shareholders none of which have a controlling interest. The Group has related party relationships with its Directors and key management employees and their companies under their control and or close family members. The Group carries banking and investment related transactions with various companies related to its shareholders, all of which were undertaken at arm's length and in compliance with the relevant Banking Regulations.

Loans and advances to other related parties:

	Gross limits US$	Utilised limits US$	Value of security US$
31 December 2017			
Loans to directors' companies	**1 969 998**	**1 831 865**	**2 650 800**
31 December 2016			
Loans to directors' companies	**4 435 248**	**3 558 585**	**8 000 044**

The loans to Directors' companies above include companies directly owned or significantly influenced by Executive and Non-Executive Directors and/or their close family members. The loans above are provided at commercial terms in terms of interest rates and tenure. The loans to directors and key management personnel are shown in note 12.3.

Transactions with directors' companies.

	31 Dec 2017 US$	31 Dec 2016 US$
Interest income	584 145	602 495
Commission and fee income	3 591	322 885
	587 736	**925 380**

Compensation of key management personnel of the Group

As required by IAS 24: Related Party Disclosure, the Board's view is that Non-Executive and Executive Directors constitute the key Management of the Group. Accordingly, key Management remuneration is disclosed under note 5 to the financial results.

33. EXCHANGE RATES AT 31 DECEMBER

	31 Dec 2017 US$	31 Dec 2016 US$
ZAR	12.3946	13.6273
GBP	0.7410	0.8145
EUR	0.8364	0.9496

RISK MANAGEMENT

34. RISK MANAGEMENT

34.1 Risk overview

CBZ Group has continued to be guided by a desire to uphold high standards of Risk Management and Compliance Culture as one of its major strategic thrust. The CBZ Group Enterprise Wide Risk Management Framework which is embedded in all risk taking activities under clearly defined risk appetite in the various key exposures. This approach has given direction to the Group's overall strategic objective underpinned by robust strategic planning, policies and processes. Through the CBZ Group risk management function, the Group regularly carries risk analysis through value at risk (VaR) assessments, stress testing as well as simulations to ensure that there is congruency or proper alignment between its strategic focus and its desired risk appetite.

34.2 Group risk management framework

The Group's risk management framework takes an enterprise wide approach and recognises that for effective risk management to take root, it has to be structured in terms of acceptable appetite, defined responsibility, accountability and independent validation of set processes. The Group Board is responsible for setting and reviewing the risk appetite as well as Group Policies. Management and staff are responsible for the implementation of strategies aimed at the management and control of the risks that fall within their strategic organisational responsibilities. Risk Management processes within the Group start with individual departmental/SBU identification of risks under their respective process flows and subsequent classification of the risks into:-

(i). Risks that can be avoided or mitigated by simple business practices and as provided for in approved procedures,
(ii). Risks that can be transferred to other participants as in underwriting arrangements and insurances and
(iii). Risks that must be actively managed using Group resources, through a combination of line management and risk management department actions.

The general philosophy of the Group is to segregate risk generation functions from approval and oversight in all activities carried out. To this end the Group has created an independent Group Enterprise wide Risk Management function which is separate from and completely independent of the risk-taking function. This is necessary in order to achieve objectivity in the area of risk evaluation process. This function facilitates the identification, measurement, monitoring and control of various risks in all units. The CBZ Group Enterprise Wide Risk Management function is responsible for ensuring that the Group's risk taking remains within the set risk benchmarks. The Group Internal Audit function on the other hand provides independent assurance on the adequacy and effectiveness of the deployed risk management processes. The CBZ Group Enterprise Wide Governance and Compliance Unit evaluate the quality of compliance with policies, processes and governance structures.

In terms of risk governance, the Group Board has delegated authority to the following Group Board Committees whose membership consists of Non – Executive Directors of the Group:

Risk Management & Compliance Committee
This committee has the responsibility for oversight and review of all critical risks comprising of but not limited to credit, liquidity, interest rate, exchange, investment, operational, equities, insurance, security, technological, reputational and compliance. Its other responsibilities includes reviewing the adequacy and effectiveness of the Group's risk management policies, systems and controls as well as the implications of proposed regulatory changes to the Group. It receives consolidated quarterly risk and compliance related reports from the Group Executive Management

34. RISK MANAGEMENT (continued)

Committee (Group EXCO) and Group Risk Management Sub-Committee. The committee governance structures ensure that approval authority and risk management responsibilities are cascaded down from the Board through to the appropriate business units and functional committees. Its recommendations are submitted to the Group Board.

IT & Business Development Committee

This committee oversees the harmonisation, adequacy, relevance and effectiveness of Group IT systems in supporting as well as delivering services to the Group's stakeholders. In addition, the committee looks at the integrity of the Group's Management information systems.

Audit & Finance Committee

This committee manages financial risk related to ensuring that the Group's financial statements are prepared in line with the International Financial Reporting Standards. This committee is responsible for capital management policy as well as the adequacy of the Group's prudential capital requirements taking into account the Group's risk appetite. The committee is also tasked with the responsibility of ensuring that efficient tax management systems are in place and that the Group is in full compliance with tax regulations.

Human Resources & Remunerations Committee

This committee is accountable for people related risks and ensures that the Group has the optimal numbers as well as the right mix in terms of skills and experience for the implementation of the Group's strategy. The committee also looks at succession planning, the welfare of Group staff as well as the positive application of the Group's Code of Ethics.

34.3 Credit risk

This is the risk of potential loss arising from the probability of borrowers and or counterparties failing to meet their repayment commitments to the Group as and when they fall due in accordance with agreed terms and conditions.

Credit risk management framework

Credit risk is managed through a framework of credit policies and standards covering the identification, management, measurement and control of credit risk. These policies are approved by the Board, which also delegates credit approvals as well as loans reviews to designated sub committees within the Group. Credit origination and approval roles are segregated. The Group uses an internal rating system based on internal estimates of probability of default over a one year horizon and customers are assessed against a range of both quantitative and qualitative factors.
Credit concentration risk is managed within set benchmarks by counterparty or a group of connected counterparties, by sector, maturity profile and by credit rating. Concentration is monitored and reviewed through the responsible risk committees set up by the Board.

The Group through credit originating units as well as approving committees regularly monitors credit exposures, portfolio performance and external environmental factors that are likely to impact on the credit book. Through this process, clients or portfolios that exhibit material credit weaknesses are put on watch for close monitoring or exiting of such relationships where restructuring is not possible. Those exposures which are beyond restructuring are downgraded to Recoveries and Collections Unit.

Credit mitigation

The Group uses a range of policies and practices to mitigate credit risk which include taking collateral, credit insurance and other guarantees. The Group is guided by considerations related to legal certainty, enforceability, market valuation and the risk related to guarantors in deciding which securities to accept from clients. Types of collateral that are eligible for risk mitigation include cash, mortgages over residential, commercial and industrial property, plant and machinery, marketable securities, guarantees, assignment of crop or export proceeds, leasebacks and stop-orders.

34. RISK MANAGEMENT (continued)

Non–performing loans and advances

The Group's credit policy also covers past due, default, impaired and non–performing loans and advances, as well as specific and portfolio impairments.
Past due refers to a loan or advance that exceeds its limit for fluctuating types of advances or is in arrears by 30 days or more.
Non-performing loans and advances is where, for example, a specific provision for impairment is raised against a credit exposure as a result of a decline in the credit quality or where an obligation is past due for more than 90 days or an obligor has exceeded a sanctioned limit for more than 90 days.

Non-performing loans and advances are defined as loans and advances where the Group has raised a specific provision for impairment. A specific provision for impairment is raised where an asset is classified as substandard, doubtful or loss under the prudential lending guidelines issued by the regulatory authorities and where collateral held against the advance is insufficient to cover the total expected losses. Portfolio impairment, on the other hand, applies under loans and advances that have not yet individually evidenced a loss event i.e. advances classified as "Pass" and "Special Mention" under prudential lending guidelines issued by the regulatory authorities. For such portfolios, the Group calculates and makes general provisions.

34.3. (a) Credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position.

	31 Dec 2017 US$	31 Dec 2016 US$
Balances with banks	77 786 933	64 055 015
Money market assets	47 953 444	37 512 007
Financial securities	897 728 855	760 536 057
Loans and advances to customers	941 408 103	1 007 172 157
Other assets	10 110 078	11 486 291
Total	**1 947 987 413**	**1 880 761 527**
Capital commitiments	3 313 523	20 681 653
Guarantees	8 428 749	2 303 975
	11 742 272	**22 985 628**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not maximum risk exposure that could arise in the future as a result of changes in value.

The Group held cash equivalents of US$ 77 786 933 (excluding notes and coins) as at 31 December 2017, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

34. RISK MANAGEMENT (continued)

34.3 (b) Aging analysis of past due but not impaired loans and advances (Special Mention Loans):

	31 Dec 2017 US$	31 Dec 2016 US$
1 to 3 months	**281 858 272**	**310 125 191**

Past due but not impaired loans relate to loans in the special mention category. See definition of special mention category on note number 34.3.1

34.3 (c) Aging analysis of Non-performing loans:

	31 Dec 2017 US$	31 Dec 2016 US$
3 to 6 months	44 519 264	20 190 340
6 to 12 months	67 628 930	50 432 086
Total	**112 148 194**	**70 622 426**

34.3 (d) An industry sector analysis of the Group's loans and advances before and after taking into account collateral held is as follows:

	31 Dec 2017 US$ Gross maximum exposure	31 Dec 2017 US$ Net maximum exposure (not covered by mortgage security)	31 Dec 2016 US$ Gross maximum exposure	31 Dec 2016 US$ Net maximum exposure (not (covered by mortgage security)
Private	182 562 405	13 472 535	191 112 349	18 777 485
Agriculture	248 017 847	42 993 531	250 771 986	63 166 397
Mining	10 641 051	1 300 846	9 764 786	1 911 212
Manufacturing	67 034 854	21 591 547	100 708 876	31 722 453
Distribution	92 677 855	26 989 931	114 916 923	39 653 796
Construction	8 603 879	1 646 653	7 105 680	2 419 274
Transport	8 370 306	2 222 530	12 209 680	3 265 357
Communication	127 705	-	11 884	-
Services	162 740 665	6 752 346	153 633 755	9 920 594
Financial organisations	239 256 487	-	227 738 531	-
Total	**1 020 033 054**	**116 969 919**	**1 067 974 450**	**170 836 568**

34. RISK MANAGEMENT (continued)

	31 Dec 2017 US$	31 Dec 2016 US$
Collateral (mortgage security)	935 716 037	932 012 190
Cash cover	15 290 945	14 093 465
Other forms of security including Notarial General Covering Bonds (NGCBs) cessions, etc.	760 471 807	760 371 701
	1 711 478 789	**1 706 477 356**

The Group holds collateral against loans and advances to customers in the form of mortgage bonds over property, other registered securities over assets, guarantees, cash cover, and assignment of crop or export proceeds, leasebacks and stop-orders. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are regularly aligned to trends in the market. An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown above and analysed as follows;

	31 Dec 2017 US$	31 Dec 2016 US$
Against doubtful* and loss* grades		
Property	25 790 036	24 200 242
Other	44 583 514	17 389 900
Against substandard* grade		
Property	23 710 876	6 603 775
Other	26 134 166	21 086 126
Against special mention* grade		
Property	205 328 361	209 438 485
Other	211 177 242	240 335 469
Against normal* grade		
Property	680 886 764	691 769 687
Other	493 867 830	495 653 671
	1 711 478 789	**1 706 477 355**

*** See definition on note 34.3.1**

34. RISK MANAGEMENT (continued)

34.3 (e) Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for loan-related statement of financial position lines based on the Group's credit rating system.

31 DECEMBER 2017	Normal grade US$	Special mention grade US$	Sub-standard grade US$	Doubtful grade US$	Total US
Advances					
Agriculture	48 927 078	161 320 484	21 790 650	15 979 635	248 017 847
Manufacturing	28 891 945	32 339 777	211 581	5 591 551	67 034 854
Commercial	108 635 475	23 489 301	9 627 423	20 988 466	162 740 665
Private	148 127 752	28 553 063	3 482 055	2 399 535	182 562 405
Mining	5 180 358	5 267 570	-	193 123	10 641 051
Distribution	49 913 531	21 304 609	9 407 555	12 052 160	92 677 855
Construction	255 463	6 350 789	-	1 997 627	8 603 879
Transport	5 805 277	2 282 019	-	283 010	8 370 306
Communication	127 705	-	-	-	127 705
Financial services	230 162 004	950 660	-	8 143 823	239 256 487
	626 026 588	**281 858 272**	**44 519 264**	**67 628 930**	**1 020 033 054**

The Group has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Group, assuming all guarantees are called on, is US$8 428 749

31 DECEMBER 2016	Normal grade US$	Special mention grade US$	Sub-standard grade US$	Doubtful Grade US$	Total US$
Advances					
Agriculture	69 397 318	155 879 386	10 843 526	14 651 756	250 771 986
Manufacturing	59 630 350	37 970 824	578 037	2 529 665	100 708 876
Commercial	86 915 705	52 701 435	2 691 235	11 325 380	153 633 755
Private	155 825 168	29 656 519	3 026 686	2 603 976	191 112 349
Mining	7 234 310	2 530 476	-	-	9 764 786
Distribution	73 418 056	26 669 285	2 986 118	11 843 464	114 916 923
Construction	3 757 846	3 283 096	64 738	-	7 105 680
Transport	11 195 516	1 014 164	-	-	12 209 680
Communication	11 884	-	-	-	11 884
Financial services	219 840 680	420 006	-	7 477 845	227 738 531
	687 226 833	**310 125 191**	**20 190 340**	**50 432 086**	**1 067 974 450**

The Group has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Group, assuming all guarantees are called on, is US$20 681 653.

34. RISK MANAGEMENT (continued)

Allowances for impairment

The Group creates an allowance for impairment on assets carried at amortised cost or classified as available-for-sale that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-offs

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment, when the relevant committees determine that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Concentration of credit risk

The Directors believe that the concentration risk is limited due to the customer base being large and unrelated. The Group is not exposed to any customer by more than 10% of the total advance book.

34.3.1 Credit quality definitions

Normal grade

An asset is classified as normal, (i) if the asset in question is fully protected by the current sound worth and paying capacity of the obligor, (ii) is performing in accordance with contractual terms and is expected to continue to do so.

Special mention grade

An asset is classified as special mention,

(i) if the asset in question is past due for more than 30 days but less than 90 days; or

(ii) although currently protected, exhibits potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the institution's position at some future date, for example, where:

- The asset in question cannot be properly supervised due to an inadequate loan agreement; or
- The condition or control of the collateral for the asset in question is deteriorating; or
- The repayment capacity of the obligor is jeopardised because of deteriorating economic conditions or adverse trends in the obligor's financial position; or
- There is an unreasonably long absence of current and satisfactory financial information or inadequate collateral documentation in regard to the asset:
- Provided that, generally, a loan or advance shall require special mention only if its risk potential is greater thanthat under which it was originally granted.

34. RISK MANAGEMENT (continued)

Substandard grade

An asset is classified as substandard:

(i) if the asset in question is past due for more than 90 days but less than 180 days; or

(ii) if it is a renegotiated loan, unless all past due interest is paid bythe borrower in cash at the time of renegotiation and a sustained record of timely repayment of principal and interest under a realistic repayment programme has been demonstrated for a period of not less than 180 days;

or

(iii) whether or not it is past due, is inadequately protected by the current sound worth and paying capacity of the obligor by reason of the fact that:

- the primary source of repayment is insufficient to service the debt and the institution must look to secondary sources such as collateral, sale of fixed assets, refinancing or additional capital injections for repayment; or
- There is an unduly long absence of current and satisfactory financial information or inadequate collateral documentation in regard to the asset; or
- Generally, there is more than a normal degree of risk attaching to the asset due to the borrower's unsatisfactory financial condition.

Doubtful

An asset is classified as doubtful:

(i) if the asset in question is past due for more than 180 days but less than 360 days; or

(ii) exhibits all the weaknesses of a substandard asset and, in addition,is not well-secured by reason of the fact that collection in full, on the basis of currently existing facts, is highly improbable, but the actual amount of the loss is indeterminable due to pending events that have a more than reasonable prospect of mitigating the loss, such as a proposed merger, acquisition or liquidation, a capital injection, perfecting liens on additional collateral,refinancingplans,newprojects or asset disposal.

Loss:

An asset is classified as a loss:

(i) if the asset in question is past due for more than 360 days, unless such asset is well secured and legal action has actually commenced which is expected to result in the timely realisation of the collateral or enforcement of any guarantee relating to the asset; or

(ii) if the asset had been characterised as doubtful on account of any pending event , and the event concerned did not occur within 360 days, whether or not the event is still pending thereafter; or

(iii) if the asset is otherwise considered uncollectible or of such little value that its continuance as an asset is not warranted.

31.3.2 Market risk

This is the risk of loss under both the banking book and or trading book arising from unfavourable changes in market price such as interest rates, foreign exchanges rates, equity prices, credit spreads and commodity prices, which can cause substantial variations in earnings and or economic value of the Group and its strategic business units (SBUs) if not properly managed. The Group's exposure to market risk arises mainly from customer driven transactions.

31.3.3 Group market risks management framework

To manage these risks, there is oversight at Group Board level through the Group Board Risk Management Committee, which covers Asset and Liability Management processes through yearly review of the Group's Asset and Liability as well as investment policies and benchmarks meant to assist in attaining the Group's liquidity strategic plan. The Group's (SBU) Boards are responsible for setting specific market risks strategies for their respective SBU and Executive Management implements policy and track performance regularly against set benchmarks through use of daily liquidity position reports, investment portfolio mix, cash flow analysis, liquidity matrix analysis, liquidity gap analysis and liquidity simulations to evaluate ability of the SBU to withstand stressed liquidity situations.

34. RISK MANAGEMENT (continued)

34.4 Liquidity risk

Liquidity relates to the Group's ability to fund its growth in assets and to meet obligations as they fall due without incurring unacceptable losses. The Group recognises two types of liquidity risks i .e. Market liquidity risk and Funding liquidity risk.

Market liquidity risk is the risk that the Group cannot cover or settle a position without significantly affecting the market price because of limited market depth.

Funding risk on the other hand is the risk that the Group will not be able to efficiently meet both its expected as well as the unexpected current and future cash flow needs without affecting the financial condition of the Group. The Group's liquidity risk management framework ensures that limits are set under respective Group Strategic Business Units relating to levels of wholesale funding, retail funding, loans to deposit ratio, counter- party exposures as well as prudential liquidity ratio.

The primary source of funding under the Group and its SBUs are customer deposits made up of current, savings and term deposits and these are diversified by customer type and maturity profile. The Group tries to ensure through the Asset and Liability Committee (ALCO) processes and statement of financial position management that asset growth and maturity are funded by appropriate growth in deposits and stable funding respectively future cash flow needs without affecting the financial condition of the Group.

The Group's liquidity risk management framework ensures that limits are set under respective Group Strategic business units relating to levels of wholesale funding, retail funding, loans to deposit ratio, counter-party exposures as well as prudential liquidity ratio.

RISK MANAGEMENT (continued)

34.5.1 Gap analysis

LIQUIDITY PROFILE AS AT 31 DECEMBER 2017

	less than 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Total US$
Assets							
Balances with banks and cash	89 606 676	-	-	-	-	-	89 606 676
Money market assets	12 049 193	5 636 122	167 255	27 967 507	-	-	45 820 077
Financial securities	-	26 649 412	5 678 424	38 007 224	232 726 096	596 801 066	899 862 222
Loans and advances to customers	361 829 276	91 130 232	33 840 187	51 701 203	84 468 977	318 438 228	941 408103
Insurance assets	206 475	190 531	-	2 442 131	-	-	2 839 137
Financial guarantees	79 719	922 904	2 582 924	4 416 605	426 597	-	8 428 749
Current tax receivable	-	621 938	-	-	-	-	621 938
Other liquid assets	411 435	9 698 643	-	-	-	-	10 110 078
Total	**464 182 774**	**134 849 782**	**42 268 790**	**124 534 670**	**317 621 670**	**915 239 294**	**1 998 696 980**
Liabilities							
Deposits	1 457 852 540	207 618 305	104 566 539	22 575 703	46 583 659	14 480 927	1 853 677 673
Insurance liabilities	-	-	-	1 583 068	-	-	1 583 068
Other liabilities	1 768 969	14 239 980	-	378 688	1 541 604	21 967	17 951 208
Current tax payable	-	18 055	-	-	-	-	18 055
Life Fund	526 853	-	-	-	-	-	526 853
Investment contract liabilities	1 806 932	-	-	-	-	-	1 806 932
Financial guarantees	79 719	922 904	2 582 924	4 416 605	426 597	-	8 428 749
Capital commitments	-	-	-	3 313 523	-	-	3 313 523
Total	**1 462 035 013**	**222 799 244**	**107 149 463**	**32 267 587**	**48 551 860**	**14 502 894**	**1 887 306 061**
Liquidity gap	**(997 852 239)**	**(87 949 462)**	**(64 880 673)**	**92 267 083**	**269 069 810**	**900 736 400**	**111 390 919**
Cumulative liquidity gap	**(997 852 239)**	**(1 085 801 701)**	**(1 150 682 374)**	**(1 058 415 291)**	**(789 345 481)**	**111 390 919**	**111 390 919**

34. RISK MANAGEMENT (continued)

LIQUIDITY PROFILE AS AT 31 DECEMBER 2016

	less than 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Total US$
Assets							
Balances with banks and cash	73 482 774	-	-	-	-	-	73 482 774
Financial securities	-	46 657 787	1 510 156	26 341 510	156 643 663	529 382 941	760 536 057
Money market assets	31 562 045	778 617	909 447	4 261 898	-	-	37 512 007
Loans and advances to customers	393 028 775	45 289 663	15 710 628	71 812 691	115 948 102	365 382 298	1 007 172 157
Financial guarantees	350 817	982 331	2 807 766	1 834 513	2 000 000	12 706 226	20 681 653
Insurance assets	-	-	-	1 483 879		-	1 483 879
Current tax receivable	-	3 692 462	-	-	-	-	3 692 462
Other liquid assets	1 208 193	10 278 098	-	-	-	-	11 486 291
Total	**499 632 604**	**107 678 958**	**20 937 997**	**105 734 491**	**274 591 765**	**907 471 465**	**1 916 047 280**
Liabilities							
Deposits	451 608 712	342 776 681	222 852 073	391 358 214	210 474 249	158 084 824	1 777 154 753
Current tax payable	-	295 265	-	-	-	-	295 265
Insurance liabilities	-	163 326	-	3 122 813	-	-	3 286 139
Other liabilities	1 481 473	2 129 154	-	476 987	9 771 619	-	13 859 233
Capital commitments	-	-	-	1 232 940	-	-	1 232 940
Financial guarantees	350 817	982 331	2 807 766	1 834 513	2 000 000	12 706 226	20 681 653
Total	**453 441 002**	**346 346 757**	**255 659 839**	**398 025 467**	**222 245 868**	**170 791 050**	**1 816 509 983**
Liquidity gap	**46 191 602**	**(238 667 799)**	**(204 721 842)**	**(292 290 976)**	**52 345 897**	**736 680 415**	**99 537 297**
Cumulative liquidity gap	**46 191 602**	**(192 476 197)**	**(397 198 039)**	**(689 489 015)**	**(637 143 118)**	**99 537 297**	**99 537 297**

34. RISK MANAGEMENT (continued)

34.5.1 Gap analysis (continued)

The table on previous page shows the discounted cash flows of the Group's non-derivative on and off balance sheet financial assets and liabilities on the basis of their earliest possible contractual maturity and the related year gaps. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest year in which the guarantee could be called.

The Group's SBUs carry out Static Statement of Financial Position analysis to track statement of financial position growth drivers, the pattern of core banking deposits, statement of financial position structure, levels and direction of the SBU's maturity mismatch and related funding or liquidity gap. The Asset and Liability Management Committee (ALCO) of the respective SBU comes up with strategies through its monthly meetings to manage these liquidity gaps.

Details of the liquidity ratios for the relevant Group SBUs as at the reporting date and during the reporting year were as follows:

CBZ Bank Limited	**%**
At 31 December 2017	43.42
At 31 December 2016	76.65
Average for the period	66.65
Maximum for the period	78.57
Minimum for the period	41.87

34.6 Interest rate risk

This is the possibility of a Banking Group's interest income being negatively influenced by unforeseen changes in the interest rate levels arising from weaknesses related to a banking Group's trading, funding and investment strategies.

This is managed at both Board and Management level through the regular policy and benchmarks which relate to interest rate risk management. The major areas of intervention involves daily monitoring of costs of funds, monthly analysis of interest re-pricing gaps, monthly interest rate simulations to establish the Group and its SBUs' ability to sustain a stressed interest rate environment and various interest rate risk hedging strategies. The use of stress testing is an integral part of the interest rate risk management framework and considers both the historical market events as well as anticipated future scenarios. The Group and its SBUs denominate their credit facilities in the base currency, the USD in order to minimise cross currency interest rate risk. The Group's interest rate risk profiling is illustrated on the next page.

As at 31 December 2017, if interest rates (both earning and paying rates) at that date had been 15 basis points higher or lower with all other variables held constant, post tax profit would have been US$5 275 358 lower or higher respectively than the reported position. This arises as a result of the sensitivity of the net interest assets to the movement in the interest rates.

34. RISK MANAGEMENT (continued)

34.6 Interest rate risk (continued)

34.6.1 (a) Interest rate repricing

31 December 2017

	Demand US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non- interest Bearing US$	Total US$
Assets								
Balance with banks and cash	5 958 198	-	-	-	-		83 648 478	89 606 676
Money market assets	12 049 193	5 636 122	167 255	27 967 507	-	-	-	45 820 077
Financial securities	-	26 649 412	5 678 424	38 007 224	232 726 096	596 801 066	-	899 862 222
Loans and advances to customers	361 829 276	91 130 232	33 840 187	51 701 203	84 468 977	318 438 228	-	941 408 103
Insurance assets	-	-	-	-	-	-	4 812 830	4 812 830
Other assets	-	-	-	-	-	-	72 016 809	72 016 809
Equity investments	-	-	-	-	-	-	10 687 540	10 687 540
Investment properties	-	-	-	-	-	-	33 950 354	33 950 354
Property and equipment	-	-	-	-	-	-	71 605 721	71 605 721
Deferred taxation	-	-	-	-	-	-	19 732 819	19 732 819
Intangible assets	-	-	-	-	-	-	2 530 080	2 530 080
Current tax receivable	-	-	-	-	-	-	621 938	621 938
Total assets	**379 836 667**	**123 415 766**	**39 685 866**	**117 675 934**	**317 195 073**	**915 239 294**	**299 606 569**	**2 192 655 169**
Equity and liabilities								
Deposits	1 457 852 540	207 618 305	104 566 539	22 575 703	46 583 659	14 480 927	-	1 853 677 673
Insurance liabilities	-	-	-	-	-	-	5 453 852	5 453 852
Other liabilities	-	-	-	-	-	-	17 951 208	17 951 208
Current tax payable	-	-	-	-	-	-	18 055	18 055
Life fund	-	-	-	-	-	-	1 465 928	1 465 928
Investment contract liabilities	-	-	-	-	-	-	1 806 932	1 806 932
Deferred taxation	-	-	-	-	-	-	2 595 916	2 595 916
Equity	-	-	-	-	-	-	309 685 605	309 685 605
Total equity and liabilities	**1 457 852 540**	**207 618 305**	**104 566 539**	**22 575 703**	**46 583 659**	**14 480 927**	**338 977 496**	**2 192 655 169**
Interest rate re-pricing gap	**(1 078 015 873)**	**(84 202 539)**	**(64 880 673)**	**95 100 231**	**270 611 414**	**900 758 367**	**(39 370 927)**	**-**
Cumulative gap	**(1 078 015 873)**	**(1 162 218 412)**	**(1 227 099 085)**	**(1 131 998 854)**	**(861 387 440)**	**39 370 927**	**-**	**-**

34. RISK MANAGEMENT (continued)

34.6.1 (a) Interest rate repricing (continued)

31 December 2016

Assets

	Demand US$	1 to 3 Months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non- interest bearing US$	Total US$
Balance with banks and cash	18 882 363	-	-	-	-	-	54 600 411	73 482 774
Money market assets	31 562 045	778 617	909 447	4 261 898	-	-	-	37 512 007
Financial securities	-	46 657 787	1 510 156	26 341 510	156 643 663	529 382 941	-	760 536 057
Loans and advances to customers	393 028 774	45 289 664	15 710 628	71 812 691	115 948 102	365 382 298	-	1 007 172 157
Other assets	-	-	-	-	-	-	71 450 097	71 450 097
Property and equipment	-	-	-	-	-	-	72 220 038	72 220 038
Deferred taxation	-	-	-	-	-	-	12 566 810	12 566 810
Intangible assets	-	-	-	-	-	-	2 697 421	2 697 421
Current tax receivable	-	-	-	-	-	-	3 692 462	3 692 462
Investment properties	-	-	-	-	-	-	32 601 223	32 601 223
Insurance assets	-	-	-	-	-	-	4 851 887	4 851 887
Equity investments	-	-	-	-	-	-	7 826 107	7 826 107
Total assets	**443 473 182**	**92 726 068**	**18 130 231**	**102 416 099**	**272 591 765**	**894 765 239**	**262 503 456**	**2 086 609 040**
Equity and liabilities								
Deposits	451 608 712	342 776 681	222 852 073	391 358 214	210 474 249	158 084 824	-	1 777 154 753
Insurance liabilities	-	-	-	-	-	-	6 470 950	6 470 950
Life fund	-	-	-	-	-	-	1 844 992	1 844 992
Other liabilities	-	-	-	-	-	-	13 859 233	13 859 233
Investment in contract liabilities	-	-	-	-	-	-	1 517 121	1 517 121
Current tax payable	-	-	-	-	-	-	295 265	295 265
Deferred taxation	-	-	-	-	-	-	2 359 408	2 359 408
Equity	-	-	-	-	-	-	283 107 318	283 107 318
Total equity and liabilities	**451 608 712**	**342 776 681**	**222 852 073**	**391 358 214**	**210 474 249**	**158 084 824**	**309 454 287**	**2 086 609 440**
Interest rate repricing gap	**(8 135 530)**	**(250 050 613)**	**(204 721 842)**	**(288 942 115)**	**62 117 516**	**736 680 415**	**(46 947 831)**	**-**
Cumulative gap	**(8 135 530)**	**(258 186 143)**	**(462 907 985)**	**(751 850 100)**	**(689 732 584)**	**46 947 831**	**-**	**-**

34. RISK MANAGEMENT (continued)

34.7 Exchange rate risk

This risk arises from the changes in exchange rates and originates from mismatches between the values of assets and liabilities denominated in different currencies and can lead to losses if there is an adverse movement in exchange rate where open positions either spot or forward, are taken for both on and off – Statement of Financial Position transactions.

Supervision is at Board level through the Board Risk Management Committee which covers ALCO processes by way of strategic policy and benchmarking reviews and approval. Management Asset and Liability Committee (ALCO) which meets on a monthly basis reviews performance against set benchmarks embedded under acceptable currencies, currency positions as well as stop loss limits. Derivative contracts with characteristics and values derived from underlying financial instruments, exchange rates which relates to futures, forwards, swaps and options can be used to mitigate exchange risk.

At 31 December 2017, if foreign exchange rates at that date had weakened or strengthened by 5 percentage points with all other variables held constant, post tax profit for the year would have been US$77 950 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Group as at 31 December 2017 is as below:

Foreign currency position as at 31 December 2017

Position expressed in US$

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	89 606 676	85 518 473	3 783 853	68 483	235 867
Money market assets	45 820 077	45 820 077	-	-	-
Financial securities	899 862 222	899 862 222	-	-	-
Advances	941 408 103	931 311 635	56 997	258 980	9 780 491
Insurance assets	4 812 830	4 812 830	-	-	-
Investment in equities	10 687 540	10 543 639	-	-	143 901
Other assets	72 016 809	71 141 623	283 318	62 549	529 319
Current tax receivable	621 938	621 938	-	-	-
Intangible assets	2 530 080	2 530 080	-	-	-
Investment properties	33 950 354	33 950 354	-	-	-
Property and equipment	71 605 721	71 605 721	-	-	-
Deferred taxation	19 732 819	19 732 819	-	-	-
Total Assets	**2 192 655 169**	**2 177 451 411**	**4 124 168**	**390 012**	**10 689 578**
Equity and Liabilities					
Deposits	1 853 677 673	1 840 667 716	2 891 877	145 512	9 972 568
Insurance liabilities	5 453 852	5 453 852	-	-	-
Other liabilities	17 951 208	17 908 278	11 526	21 313	10 091
Current tax payable	18 055	18 055	-	-	-
Life fund	1 465 928	1 465 928	-	-	-
Investment contract liabilities	1 806 932	1 806 932	-	-	-
Deferred taxation	2 595 916	2 595 916	-	-	-
Equity	309 685 605	309 685 605	-	-	-
Total Equity and Liabilities	**2 192 655 169**	**2 179 602 282**	**2 903 403**	**166 825**	**9 982 659**

34. RISK MANAGEMENT (continued)

34.7 Exchange rate risk (continued)

Foreign currency position as at 31 December 2016

Position expressed in US$

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	73 482 774	67 469 165	4 423 457	540 684	1 049 468
Money market assets	37 512 007	37 512 007	-	-	-
Financial securities	760 536 057	760 536 057	-	-	-
Loans and advances to customers	1 007 172 157	990 241 786	20 717	258 187	16 651 467
Insurance assets	4 851 887	4 851 887	-	-	-
Other assets	71 450 097	70 936 716	337 310	119 123	56 948
Investment in equities	7 826 107	7 682 206	-	-	143 901
Investment properties	32 601 223	32 601 223	-	-	-
Property and equipment	72 220 038	72 220 038	-	-	-
Deferred taxation	12 566 810	12 566 810	-	-	-
Intangible assets	2 697 421	2 697 421	-	-	-
Current tax receivable	3 692 462	3 692 462	-	-	-
Total Assets	**2 086 609 040**	**2 063 007 778**	**4 781 484**	**917 994**	**17 901 784**
Equity and Liabilities					
Deposits	1 777 154 753	1 757 196 702	8 404 145	398 179	11 155 727
Insurance liabilities	6 470 950	6 470 950	-	-	-
Investment contract liabilities	1 517 121	1 517 121	-	-	-
Life fund	1 844 992	1 844 992	-	-	-
Other liabilities	13 859 233	13 828 260	11 296	19 243	434
Current tax payable	295 265	295 265	-	-	-
Deferred taxation	2 359 408	2 359 408	-	-	-
Equity	283 107 318	283 107 318	-	-	-
Total Equity and Liabilities	**2 086 609 040**	**2 066 620 016**	**8 415 441**	**417 422**	**11 156 161**

34. RISK MANAGEMENT (continued)

34.7.1 Exchange rate risk (continued)

Foreign currency position as at 31 December 2017 position denominated in the respective foreign currency.

Assets	ZAR	GBP
Balances with banks and cash	46 899 345	50 860
Loans and advances to customers	706 454	192 337
Other assets	3 511 608	46 453
Total assets	**51 117 407**	**289 650**
Liabilities		
Deposits	35 843 656	108 067
Other liabilities	142 862	15 828
Total liabilities	**35 986 518**	**123 895**
Net position	**15 130 889**	**165 755**

Foreign currency position as at 31 December 2016 position denominated in the respective foreign currency.

Assets	ZAR	GBP
Balances with banks and cash	60 279 778	440 369
Loans and advances to customers	282 311	210 284
Other assets	4 596 629	97 022
Total assets	**65 158 718**	**747 675**
Liabilities		
Deposits	114 525 798	324 303
Other liabilities	153 927	15 673
Total liabilities	**114 679 725**	**339 976**
Net position	**(49 521 007)**	**407 699**

The Group has presented major foreign currencies only.

34. RISK MANAGEMENT (continued)

34.7 Operational risk

This is the potential for loss arising from human error and fraud, inadequate or failed internal processes, systems failure, non-adherence to procedure or other external sources that result in the compromising of the Group and its SBUs revenue or erosion of the Group and its SBUs' statement of financial position value.

34.7.1 Operational risk management framework

The Group Risk Management Committee exercises adequate oversight over operational risks across the Group with the support of SBU Boards as well as business and functional level committees. Group Risk Management is responsible for setting and approving of Group Operational Policies and maintaining standards for operational risk.

The Group Board Audit Committee through the Internal Audit function as well as Group Enterprise Wide Governance and Compliance, performs their independent review and assurances under processes and procedures as set under Business Units policies and procedure manuals. On the other hand, the Group Risk Management and Group IT Department with assistance from the Organisation and Methods Department within Group Human Resources ensure that processes, procedures and control systems are in line with variables in the operating environment.

34.8 Strategic risk

This is the risk that arises where the Group's strategy may be inappropriate to support its long term corporate goals due to underlying inadequate strategic planning processes, weak decision making processes as well as weak strategic implementation programs.

To mitigate this risk, the Group's Board, SBU Boards and Management teams craft the strategy which is underpinned by the Group's corporate goals. Approval of the strategy is the responsibility of the appropriate Board whilst implementation is carried out by Management. On the other hand, strategy and goal congruency is reviewed monthly by management and quarterly by the appropriate Board.

34.9 Regulatory risk

Regulatory risk is defined as the failure to comply with applicable laws and regulations or supervisory requirements, or the exclusion of provisions of relevant regulatory requirements out of operational procedures. This risk is managed and mitigated through the Group Board Risk Management Committee and the Group Enterprise Wide Governance and Compliance unit which ensures that:

a. Comprehensive and consistent compliance policies and procedures exist covering the Group and its SBUs;
b. A proactive and complete summary statement of the Group and its SBUs position on ethics and compliance exists;
c. A reporting structure of the Group Enterprise Wide Compliance Function exists that ensures independence and effectiveness; and
d. Yearly compliance and awareness training targeting employees in compliance sensitive areas is carried out.

34.10 Reputation risk

This is the risk of potential damage to the Group's image that arises from the market perception of the manner in which the Group and its SBUs package and deliver their products and services as well as how staff and Management conduct themselves. It also relates to the Group's general business ethics. This can result in loss of earnings or adverse impact on market capitalisation as a result of stakeholders adopting a negative view to the Group and its actions. The risk can further arise from the Group's inability to address any of its other key risks. This risk is managed and mitigated through:

34. RISK MANAGEMENT (continued)

a. continuous improvements to the Group's operating facilities to ensure they remain within the taste of the Group's various stakeholders;
b. ensuring that staff subscribe to the Group's code of conduct, code of ethics and general business ethics; and
c. stakeholders' feedback systems that ensures proactive attention to the Group's reputation management.

34.11 Money-laundering risk

This is the risk of financial or reputational loss suffered as a result of transactions in which criminal financiers disguise the origin of funds they deposit in the subsidiaries of the Group and then use the funds to support illegal activities. The Group manages this risk through:

a. adherence to Know Your Customer Procedures;
b. effective use of compliance enabling technology to enhance anti–money laundering program management, communication, monitoring and reporting;
c. development of early warning systems; and
d. integration of compliance into individual performance measurement and reward structures.

34.12 Insurance risk

The principal risk that the insurance segment faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the insurance subsidiary is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The subsidiaries also purchase reinsurance as part of their risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

The insurance company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract.

34. RISK MANAGEMENT (continued)

34.13.1 External Credit Rating

CBZ Bank Limited

Rating agent	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Global Credit Rating	A	A	A	A+	A+	A+	A+	A	A	A	A+	A+

CBZ Life Private Limited

Rating agent	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Global Credit Rating (Financial strength)	BBB+	BBB+	BBB+	-	-	-	-	-	-	-	-	-

CBZ Insurance Private Limited

Rating agent	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Global Credit Rating(Claims paying ability)	BBB+	BBB	BBB	-	-	-	-	-	-	-	-	-

CBZ Asset Management Private Limited

Rating agent	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Global Credit Rating (Manager quality)	A	A	A	-	-	-	-	-	-	-	-	-

31.13.2 Reserve Bank Ratings

CAMELS RATING MATRIX							
	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank (current)	2	1	3	2	2	2	2
CBZ Bank (previous)	1	1	2	1	1	2	2

Key

1. Strong 2. Satisfactory 3. Fair 4. Substandard 5. Weak

35. FAIR VALUE MEASUREMENT

The following table presents assets and liabilities recognised at fair value in the Statement of Financial Position of the Group:

	Level 1		Level 2		Level 3		Total carrying Amount	
	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m
Assets								
Equity Investments	4.7	1.6	-	-	-	-	4.7	1.6
Land and buildings	-	-	48.5	48.9	-	-	48.5	48.9
Investment properties	-	-	34.0	32.6	-	-	34.0	32.6
Total assets at fair value	**4.7**	**1.6**	**82.5**	**81.5**	**-**	**-**	**87.2**	**83.1**

The valuation techniques and inputs used in the fair value measurement for the assets in Level 1 and level 2 are detailed in note1.23 of the accounting policies.

36. CAPITAL ADEQUACY

The capital adequacy is calculated in terms of the guidelines issued by the Reserve Bank of Zimbabwe.

	31 Dec 2017 CBZ Bank Ltd US$	31 Dec 2016 CBZ Bank Ltd US$
Risk Weighted Assets	**740 090 523**	**783 003 808**
Total qualifying capital	**180 285 922**	**174 759 242**
Tier 1		
Share capital	5 118 180	5 118 180
Share premium	16 721 711	16 721 711
Revenue reserves	153 875 556	133 410 604
Exposures to insiders	(17 078 054)	(1 657 783)
Total core capital	**139 217 059**	**153 592 712**
Less transfer to tier 3	(20 701 028)	(20 219 720)
	118 516 030	**133 372 992**
Tier 2		
Revaluation reserve	12 397 399	11 378 985
General provisions	9 251 132	9 787 548
Deferred tax asset	19 420 333	-
	41 068 863	**21 166 533**
Tier 3		
Capital allocated for market risk	158 762	627 288
Capital allocated to operations risk	20 452 266	19 592 432
	20 701 028	**20 219 720**
Capital adequacy	**24.36%**	**22.32%**
Tier 1	16.01%	17.03%
Tier 2	5.55%	2.71%
Tier 3	2.80%	2.58%

Regulatory capital, consists of Tier 1 capital which comprises share capital, share premium and revenue reserves including current year profit. The other component of the regulatory capital is Tier 2 capital, which includes general provisions and revaluation reserves. The regulated minimum capital base required by the Central Bank for the Bank is $25 million with a tier 1 ratio of 8% and a total capital adequacy ratio of 12%. The Insurance and Pensions Commission minimum capital requirements for Insurance Industry are $5 million and $2.5 million for long term and short term insurance, respectively. The Group's long term and short term insurance capital is $7.31 million and $12.36 million respectively, as at 31 December 2017.

37. GOING CONCERN

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. The Directors have engaged themselves to continuously assess the ability of the Group to continue to operate as a going concern, and the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

COMPANY FINANCIAL STATEMENTS

COMPANY'S STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 Dec 2017 US$	31 Dec 2016 US$
Revenue	2	13 217 292	6 938 344
Operating expenditure	3	(12 075 700)	(9 200 344)
Operating (loss)/profit		**1 141 592**	**(2 262 000)**
Taxation	4	(14 776)	(2 940 791)
Profit/(Loss)for the year after taxation		**1 126 816**	**(5 202 791)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Gain on property revaluation		3 486	-
Deferred income tax relating to other comprehensive income	4.2	(898)	-
Total comprehensive income for the year		**1 129 404**	**(5 202 791)**
Profit for the year attributable to:			
Equity holders of parent		1 126 816	(5 202 791)
Total profit/(loss) for the year		**1 126 816**	**(5 202 791)**
Total comprehensive income attributable to:			
Equity holders of parent		1 129 404	(5 202 791)
Total comprehensive income for the year		**1 129 404**	**(5 202 791)**
Earnings/(Loss) per share (US cents):			
Basic	6.1	0.22	(0.99)
Fully diluted	6.1	0.21	(0.93)

COMPANY'S STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 Dec 2017 US$	31 Dec 2016 US$
ASSETS			
Other assets	12	508 763	2 369 544
Investments in equities		6 571 492	5 400 759
Investments in subsidiaries	8	52 568 148	51 478 938
Property and equipment	10	303 566	366 649
Intangible assets		-	947
TOTAL ASSETS		**59 951 969**	**59 616 837**
LIABILITIES			
Other liabilities	13	12 017 648	9 750 650
Overdraft	5	4 504 461	4 965 996
Deferred taxation	11	21 178	9 293
Current tax payable		-	101 847
TOTAL LIABILITIES		**16 543 287**	**14 827 786**
EQUITY			
Share capital	15	6 868 795	6 868 288
Share premium	16	40 013 749	40 008 086
Revaluation reserve		2 588	-
Treasury shares	17	(17 588 582)	(17 588 582)
Revenue reserve	18	12 977 083	14 400 233
Share option reserve	9	1 135 049	1 101 026
TOTAL EQUITY		**43 408 682**	**44 789 051**
TOTAL LIABILITIES AND EQUITY		**59 951 969**	**59 616 837**

COMPANY'S STATEMENT
OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Share option reserve US$	Revenue reserve US$	Total US$
2016							
Opening balance	6 867 689	40 001 416	(16 810 640)	-	1 032 565	21 940 635	53 031 665
Total comprehensive Income	-	-	-	-	-	(5 202 791)	(5 202 791)
Treasury shares acquisition	-	-	(777 942)	-	-	-	(777 942)
Dividend	-	-	-	-	-	(2 337 611)	(2 337 611)
Employee share option reserve	-	-	-	-	70 461	-	70 461
Exercise of share options	599	6 670	-	-	(2 000)	-	5 269
Closing balance	**6 868 288**	**40 008 086**	**(17 588 582)**	**-**	**1 101 026**	**14 400 233**	**44 789 051**
2017							
Opening balance	6 868 288	40 008 086	(17 588 582)	-	1 101 026	14 400 233	44 789 051
Total comprehensive Income	-	-	-	2 588	-	1 126 816	1 129 404
Treasury shares acquisition	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	(2 549 966)	(2 549 966)
Employee share option reserve	-	-	-	-	35 720	-	35 720
Exercise of share options	507	5 662	-	-	(1 697)	-	4 472
Closing balance	**6 868 795**	**40 013 748**	**(17 588 582)**	**2 588**	**1 135 049**	**12 977 083**	**43 408 682**

COMPANY'S STATEMENT
OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 Dec 2017 US$	31 Dec 2016 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	1 141 592	(2 262 000)
Non-cash items:		
Depreciation and amortisation	44 167	32 764
Fair value adjustment on financial instruments	(1 010 994)	(383 050)
Amortisation	947	338 634
Reversal of impairment on property and equipment	(9 963)	-
Impairments of property and equipment	422 593	9 963
Loss on sale of assets	4 836	-
Employee share option expense	35 720	70 461
Operating cash (outflow)/ inflow before changes in operating assets and liabilities	**628 898**	**(2 193 227)**
Changes in operating assets and liabilities		
Other assets	1 466 046	(1 670 838)
Other liabilities	2 266 998	2 612 964
	3 733 044	**942 126**
Corporate tax paid	(133 494)	(16)
Net cash inflow/ (outflow) from operating activities	**4 228 448**	**(1 251 118)**
CASH FLOWS FROM INVESTING ACTIVITIES		
-		
Net change in investments	(1 248 948)	(545 080)
Proceeds on disposal of PPE	97 850	-
Purchase of property and equipment	(70 321)	(140 054)
Purchase of intangible assets	-	(1 893)
Net cash outflow from investing activities	**(1 221 419)**	**(687 027)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee share options	4 472	5 269
Treasury shares acquisition	-	(777 942)
Dividends paid	(2 549 966)	(2 337 611)
Net cash outflow from financing activities	**(2 545 494)**	**(3 110 284)**
Net increase/(decrease) in balances with banks and cash	**461 535**	**(5 048 429)**
Balances with banks and cash at the beginning of the year	(4 965 996)	82 433
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	**(4 504 461)**	**(4 965 996)**

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

1.0 COMPANY ACCOUNTING POLICIES

The Company's accounting policies are consistent with those applied by the Group. These are detailed from page 92 to 109 of this report.

1.1 INCORPORATION AND ACTIVITIES

The financial statements of the Company for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 15 March 2018. The Company has investments which offer commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe.

	31 Dec 2017 US$	31 Dec 2016 US$
2. REVENUE		
Fair value adjustments on financial instruments	1 010 994	383 050
Dividend income	6 071 551	188 290
Management fees	6 052 984	6 367 004
Impairment reversal	9 963	-
Loss on disposal of PPE	(4 836)	-
Interest received	76 636	-
	13 217 292	**6 938 344**
3. OPERATING EXPENDITURE		
Staff costs	8 036 861	5 749 151
Other administration expenses	2 021 013	2 153 168
Audit fees	71 041	68 020
Depreciation	44 168	32 764
Interest expense	1 479 077	848 644
Amortisation of Intangible assets	947	338 634
Write-off of other assets	422 593	-
Impairment of fixed assets	-	9 963
	12 075 700	**9 200 344**

4. TAXATION

The following constitutes the major components of income tax expense recognised in the statement of profit or loss and other comprehensive income.

4.1 Analysis of tax charge in respect of the profit for the year

	31 Dec 2017 US$	31 Dec 2016 US$
Current income tax charge	3 789	(101 863)
Deferred income tax	10 987	(2 838 928)
Income tax expense	**14 776**	**(2 940 791)**

4. TAXATION (continued)

4.2 Tax effects relating to other comprehensive income

	31 Dec 2017 US$	31 Dec 2016 US$
Tax expense on revaluation of Propety and Equipment	**898**	**-**

4.2 Tax rate reconciliation

	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Exempt income	(161.37)	6.51
Non deductible	136.91	(162.27)
Effective tax rate	**1.29**	**(130.01)**

Included in non-deductible are disallowable donations and expenditure on exempt income whilst exempt income includes dividend income and fair value adjustment on shares.

5. BANK OVERDRAFT

	31 Dec 2017 US$	31 Dec 2016 US$
Overdraft	**4 504 461**	**4 965 996**

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding at end of the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by sum of the weighted average number of ordinary shares outstanding at end of the year and the weighted average number of potentially dilutive ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

6.1 Earnings

	31 Dec 2017 US$	31 Dec 2016 US$
Basic	1 126 816	(5 202 791)
Fully diluted	1 126 816	(5 202 791)
Number of shares used in calculations (weighted)	**Shares**	**Shares**
Basic earnings per share	517 863 996	523 252 082
Fully diluted earnings per share	533 248 567	538 430 359

6.2 Reconciliation of denominators used for calculating basic and diluted earnings per share:

Weighted average number of shares before		
Adjustment for treasury shares	686 845 843	686 806 364
Less: Treasury shares held	(168 981 847)	(163 554 282)
Weighted average number of shares used for basic EPS	**517 863 996**	**523 252 082**
Potentially dilutive shares	15 384 571	15 178 277
Weighted average number of shares used for diluted EPS	**533 248 567**	**538 430 359**

7. DIVIDENDS

	31 Dec 2017 US$	31 Dec 2016 US$
Cash dividends on ordinary shares declared and paid:		
Final dividend paid	1 344 283	1 114 560
Interim dividend paid	1 205 683	1 223 051
	2 549 966	**2 337 611**
Interim dividend per share (cents)	0.20	0.23
Final dividend per share (cents)	0.18	0.21

Dividends are paid on shares held at the record date, net of treasury shares, held on the same date. The Dividend per share is calculated inclusive of treasury shares.

	31 Dec 2017 US$	31 Dec 2016 US$
Proposed dividends on ordinary shares:		
Final cash dividend	**1 762 371**	**1 602 155**
Final dividend per share	0.26	0.23

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2017

8. INVESTMENTS IN SUBSIDIARIES

	31 Dec 2017 US$	%	31 Dec 2016 US$	%
CBZ Bank Limited	21 839 891	100	21 839 891	100
CBZ Asset Management	1 987 950	100	1 987 950	100
CBZ Building Society	19 114 990	100	19 114 990	100
CBZ Insurance (Private) Limited	2 259 839	98.4	1 690 879	89.37
CBZ Properties (Private) Limited	4 779 144	100	4 779 144	100
CBZ Life Assurance (Private) Limited	1 388 014	100	1 388 014	100
CBZ Asset Management (Mauritius)	132 990	100	132 990	100
CBZ Risk Advisory Services	545 080	100	545 080	100
RedSphere Finance (Private) Limited	520 250	100	-	-
	52 568 148		**51 478 938**	

During the year CBZ Holdings established RedSphere Finance (Private) Limited and also increased its shareholdings in CBZ Insurance as detailed in note 27.7.1 of the Group's financial statements.

9. EMPLOYEE SHARE OPTION RESERVE

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	1 101 026	1 032 565
Share options to employees	34 023	68 461
Closing balance	**1 135 049**	**1 101 026**

During the year 50 755 shares were exercised after vesting and US$4 472 was realised from the exercise.

Shares under option

The Directors are empowered to grant share options to senior executives and staff of the company. The options are granted for a period of 10 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of the share options outstanding as at 31 December 2017 were as follows:

	Subscription Price	Number of Shares
Granted 1 June 2012	$0.0881	40 000 000

	31 Dec 2017 Shares	31 Dec 2016 Shares
Movement for the year		
Opening balance	37 331 624	37 391 389
Options exercised	(50 755)	(59 765)
Closing balance	**37 280 869**	**37 331 624**

No share options were forfeited or expired during the year.

A valuation of the share option scheme was carried out by professional valuers as at 31 December 2017. The estimated fair value of the options granted was determined using the binomial model in accordance with IFRS 2 “Share Based Payments” with inputs and assumptions:

Grant date share price (US cents)	8.81
Exercise price (US cents)	8.81
Expected volatility	50%
Dividend yield	2.5%
Risk-free interest rate	5.70%

Valuation inputs:

Exercise price

The scheme rules state that the price for the shares comprised in an option shall be the middle market price ruling on the Zimbabwe Stock Exchange on the day which the options are granted, therefore 8.81 cents for the new options granted during the 2017 financial year.

9. EMPLOYEE SHARE OPTION RESERVE (continued)

Expected volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a period, for example between grant date and the exercise date.

Volatility was calculated using the geometric Brownian motion process on share prices.

Expected dividends

When estimating the fair value of options, the projected valuation of shares is reduced by the present value of dividends expected to be paid during the vesting period. This is because the payment of dividends reduces the value of a Company.

Risk free rate of return

A risk free rate of return is the interest rate an investor would expect to earn on an investment with no risk which is usually taken to be a Government issued security. It is the interest rate earned on a riskless security over a specified time horizon. Given that the valuation was done in United States dollars, the risk free rate was estimated based on the yield on 10 year treasury bills issued by the Federal Reserve Bank of the United States of America of 2.02%. This value was adjusted for the inflation differential between Zimbabwe and the United States of America. All options expire, if not exercised, 10 years after the date of grant.

10. PROPERTY AND EQUIPMENT

31 DECEMBER 2017

Cost	Buildings US$	Motor vehicles US$	Computer and equipment US$	Total US$
Opening balance	185 000	123 821	655 621	1 042 202
Additions	1 377	47 680	21 264	70 321
Revaluation gain	8 623	-	-	8 623
Disposal	-	(123 821)	(5 362)	(206 944)
Closing balance	**195 000**	**47 680**	**671 523**	**914 202**
Accumulated depreciation and impairment				
Opening balance	-	7 738	590 055	597 793
Charge for the year	4 826	21 037	18 304	44 167
Disposal	-	(25 795)	(702)	(26 497)
Revaluation	(4 826)	-	-	(4 826)
Closing balance	**-**	**2 980**	**607 657**	**610 636**
Net book value	**195 000**	**44 700**	**63 866**	**303 566**

10. PROPERTY AND EQUIPMENT (continued)

31 DECEMBER 2016

Cost	Buildings US$	Motor vehicles US$	Computer and equipment US$	Total US$
Opening balance	190 000	77 759	649 309	917 068
Additions	9 920	123 822	6 312	140 054
Impairments	(14 920)	-	-	(14 920)
Closing balance	**185 000**	**201 581**	**655 621**	**1 042 202**
Accumulated depreciation and impairment				
Opening balance	-	77 759	569 987	647 746
Charge for the year	4 957	7 739	20 068	32 764
Impairments	(4 957)	-	-	(4 957)
Closing balance	**-**	**85 498**	**590 055**	**675 553**
Net book value	**185 000**	**116 083**	**65 566**	**366 649**

For more details on valuation of Property and equipment refer to note number 17 of the Group's consolidated financial statements.

11. DEFERRED TAXATION

11.1 Deferred tax asset

Deferred tax asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, unused tax losses and unused tax credits.

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	-	2 926 944
Write off	-	(2 926 944)
Closing balance	**-**	**-**

11.2 Deferred tax liability

Deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

The deferred tax included in the statement of financial position and changes recorded in the statement of profit or loss and other comprehensive income comprised of:

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	9 293	97 309
Equity investments	10 110	3 831
Property and equipment	1 897	(4 770)
Other	(122)	(87 077)
Closing balance	**21 178**	**9 293**

12. OTHER ASSETS

Intercompany balances:		
CBZ Building society	-	1 080 949
CBZ Insurance	31 124	146 441
CBZ Life	-	219 662
CBZ Asset Management (Mauritius)	110 997	75 080
Sundry	366 642	847 412
	508 763	**2 369 544**

13. OTHER LIABILITIES

Intercompany balances		
CBZ Bank	9 978 449	8 514 207
CBZ Life	7 361	-
CBZ Building society	54 168	-
CBZ Asset Management	436 068	289 016
Sundry	1 541 602	947 427
	12 017 648	**9 750 650**

14 RELATED PARTY TRANSACTIONS

The Company has the following related party transactions with its Subsidiaries

CBZ Bank	1 464 241	1 733 798
CBZ Building society	1 026 781	1 080 949
CBZ Asset Management(Mauritius)	35 916	30 174
CBZ Insurance	115 316	146 441
CBZ Life	212 301	219 662
CBZ Asset Management	147 058	43 264
	3 001 613	**3 254 288**

The company has no ultimate parent. Transactions between the Company and its subsidiaries are charged at arm's length.The transactions are mainly interests and management fees. The balances are included in note 2 (Revenue) and Note 3 Operating expenditure.

	31 Dec 2017 US$	31 Dec 2016 US$
15. SHARE CAPITAL		
Opening balance	6 868 288	6 867 689
Exercise of share options	507	599
Closing balance	**6 868 795**	**6 868 288**
16. SHARE PREMIUM		
Opening balance	40 008 086	40 001 416
Exercise of share option reserve	5 662	6 670
Closing balance	**40 013 748**	**40 008 086**
17. TREASURY SHARES		
Opening balance	17 588 582	16 810 640
Share buyback	-	777 942
Closing balance	**17 588 582**	**17 588 582**

The Company held 168 981 847 treasury shares as at 31 December 2017.

18. REVENUE RESERVES

	31 Dec 2017 US$	31 Dec 2016 US$
Opening balance	14 400 233	21 940 635
Total comprehensive income	1 126 816	(5 202 791)
Dividend paid	(2 549 966)	(2 337 611)
	12 977 083	**14 400 233**

COMPANY ACCOUNTING POLICIES

The Company's accounting policies are consistent with those applied by the Group.

NOTICE TO MEMBERS

Notice is hereby given that the Twenty-Seventh Annual General Meeting of the Shareholders of CBZ Holdings Limited will be held in the Stewart Room, Meikles Premier Hotel, Harare, on Wednesday,16 May 2018 at 1500 hours for the purpose of transacting the following business:

ORDINARY MATTERS

1. To receive, consider and adopt the Audited Financial Statements of the Company and the respective reports of the Directors and External Auditors for the year ended 31 December 2017.

2. To consider the payment of a final dividend of $1,762,371 (0.25658 US cents per share) for the year ended 31 December 2017 to Members.

3. **DIRECTORATE**
   i) In terms of Article 88 of the Memorandum and Articles of Association, one third of the Directors are required, after serving a period of three years, to retire from the Board by rotation and that in terms thereof there are no Directors eligible for retirement by rotation.
   ii) To confirm the appointment of Noah Matimba and William Annandale as Independent Non Executive Directors of the Board and Varaidzo Zifudzi as a Non-Independent Non-Executive Director of the Board.
   iii) In terms of Article 80 of the Articles of Association, the following Directors appointed during the course of the year: Noah Matimba, Varaidzo Zifudzi and William Annandale are required to retire and they being eligible, offer themselves for reappointment.
   iv) To note the retirement of Never Nyemudzo.
   v) To confirm the remuneration paid to the Directors during the year.

4. To confirm the re-appointment of Ernst & Young Chartered Accountants (Zimbabwe) as external auditors of the Company for the ensuing year.

5. To authorise the Directors to fix the external auditors' remuneration.

6. **GENERAL**
   To transact such other business as may be transacted at an Annual General Meeting.

7. **PROXIES**
   In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and on a poll to vote or abstain from voting in his stead. A proxy need not be a member.

Proxy forms must be received at the registered office of the Company not less than 48 hours before the meeting.

BY ORDER OF THE BOARD

....
Rumbidzayi Angeline Jakanani
GROUP LEGAL CORPORATE SECRETARY

REGISTERED HEAD OFFICE
5th Floor, Union House
60 Kwame Nkrumah Avenue Harare, Zimbabwe
Telephone: (263-4) 748 050 - 79
Email: info@cbz.co.zw

16 April 2018

GROUP DETAILS

REGISTERED HEAD OFFICE

5th Floor, Union House
60 Kwame Nkrumah Avenue
Harare, Zimbabwe
Telephone: (263-4) 748 050 - 79
Email: info@cbz.co.zw

TRANSFER SECRETARIES

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1 Armagh Avenue
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Harare
P O Box 11 Harare
Zimbabwe
Tel:+263 4 782869/72; +263 772 146157
+263 4 749048
Email: info@fts-net.com
www.fts-net.com

LEGAL PRACTITIONERS

Mawere & Sibanda Legal Practitioners
3rd Floor Chiyedza House
1st Street/ Kwame Nkrumah Avenue
P.O Box CY 1376
Causeway
Harare, Zimbabwe

AUDITORS

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/ Kwame Nkrumah Avenue
P O Box 62 or 702
Harare Zimbabwe Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 / 773842
Email: admin@zw.ey.com
www.ey.com

FORM OF PROXY

I/We ____

Of ____

____

Being a member of CBZ Holdings Limited and entitled to.............................votes hereby appoint

Of ____

Or failing him/her ____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held in the Stewart Room, Meikles Premier Hotel, Harare, on Wednesday, 16 May 2018 at 15:00 hours and at any adjournment thereof.

Signed by me this ___________________________ day of_________________________ 2018

Signature: ____

NOTES:

1. Any member of the Company entitled to attend and vote at the meeting of the company shall be entitled to appoint another person, whether a member of the Company or not, as his proxy to attend, vote and speak in his stead.

2. Proxy Forms should be forwarded to reach office of the Company at least 48 (forty-eight) hours before the time appointed for holding the meeting.

3. An instrument appointing a proxy shall be valid only for the one specified meeting for which it shall be submitted and any adjournment thereof.