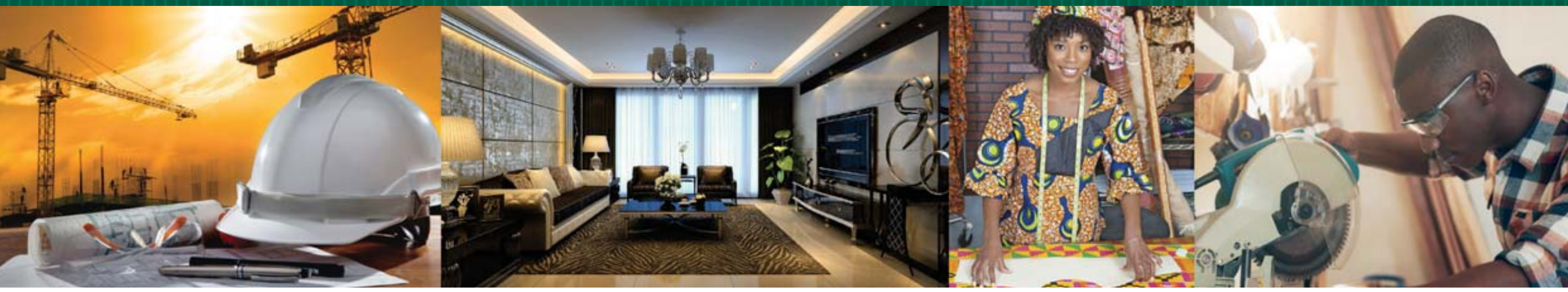
Since 1951

ZB FINANCIAL HOLDINGS

ANNUAL REPORT 2017



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Corporate Information

ZB FINANCIAL HOLDINGS LIMITED
Registered Office
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

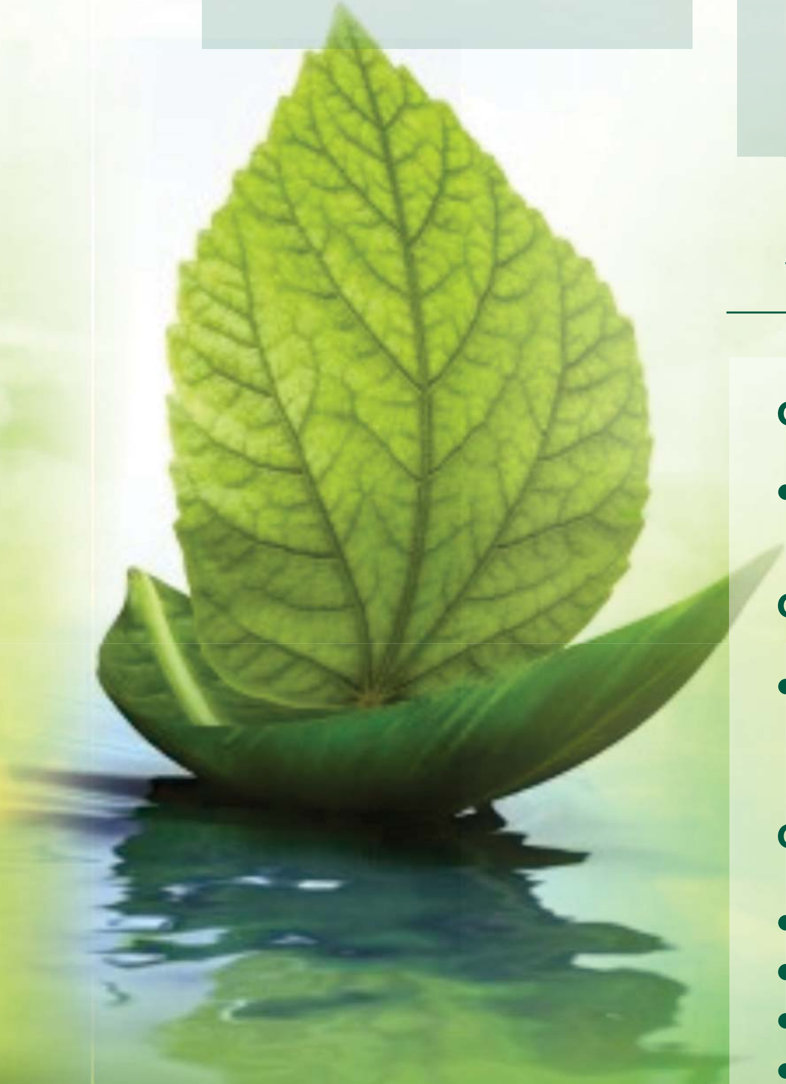
Company Registration Number
1278/89

Date of Incorporation
29 May 1989

Group Company Secretary
H R Nharingo

Auditors
Deloitte & Touche Zimbabwe
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
P O Box 267
Harare
Zimbabwe
Tel: +263 (0) 867 700 0261
Fax: +263 - 4 - 852130
Web address: www.deloitte.com

Board of Directors
Prof C Manyeruke (Chairman)
R Mutandagayi (Group Chief Executive)
F Kapanje (Group Finance Director)
O Akerele
T S Bvurere
P Chiromo
A Z Mangwiro
J Mutevedzi
P B Nyoni



Vision, Mission and Values

Our Vision

- To be a leading global financial services Group.

Our Mission

- Passionate focus on creation of unparalleled value for our stakeholders.

Our Core Values

- Accountability
- Empathy
- Excellence
- Innovation
- Integrity

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty-Ninth Annual General Meeting of the shareholders of ZB Financial Holdings Limited will be held in the Board Room, Ground Floor, 21 Natal Road, Avondale, Harare, on Thursday 28 June 2018, commencing at 1030 hours to transact the following business:

ORDINARY BUSINESS

1. Financial Statements and Statutory Reports
To receive, consider, and adopt, if appropriate, the financial statements, and the reports of the directors and auditors for the year ended 31 December 2017.

2. Dividend
To confirm the final dividend of 1,83 US cents per Ordinary Share as recommended by the Board.

3. Directorate
3.1. In terms of Article 68 of the Company's Articles of Association, Messrs O. Akerele and P. B. Nyoni retire by rotation and, being eligible, offer themselves for re-election at the meeting.
3.2. In terms of Article 62 of the Company's Articles of Association, Messrs A. Z. Mangwiro, J. Mutevedzi and Mrs P. Chiromo were appointed to the Board after the last Annual General Meeting of the Company, and retire at the end of the meeting. Being eligible, they offer themselves for election.

4. Remuneration of Directors
To approve the remuneration of Directors for the past financial year.

5. External Auditors
5.1. To approve the remuneration to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year's audit in terms of Article 112 of the Articles of the Company.
5.2. To re-appoint Deloitte & Touche (Zimbabwe) as the Company's auditor for the ensuing year.

6. Any Other Business
To transact any other business as may be transacted at an Annual General Meeting.

In terms of the Companies Act [*Chapter 24:03*], a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote and speak in his stead.

The proxy form must be delivered at the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

By order of the Board

H. R. Nharingo
Group Secretary
5 June 2018
21 Natal Road
Avondale
HARARE

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS as at 31 December 2017 Shares held	Number	% Spread	Shares Held	% Holding
1 - 500	230	16.45	48 158	0.03
501 - 1000	466	33.33	267 671	0.15
1001 - 10000	358	25.61	1 494 092	0.85
10001 - 20000	209	14.95	2 945 165	1.68
20001 - 50000	79	5.65	2 112 668	1.21
50001 - 100000	9	0.64	555 170	0.32
100001 - 500000	26	1.86	5 402 372	3.08
500001 - 10000000	18	1.29	40 944 466	23.37
10000001 - 10000000000	3	0.22	121 420 880	69.31
Totals	1 398	100.00	175 190 642	100.00

ANALYSIS BY CATEGORY Shareholders	Number	% Spread	Shares Held	% Holding
COMPANIES	132	9.45	149 972 199	85.60
FCDA RESIDENT AND NEW NON RESIDENT	20	1.43	3 542 551	2.02
INDIVIDUALS	1 188	84.98	12 889 513	7.36
INSURANCE COMPANIES	4	0.29	216 575	0.12
INVESTMENT, TRUST AND PROPERTY COMPANIES	12	0.86	3 145 560	1.80
NOMINEE COMPANY	25	1.79	2 226 239	1.27
NON RESIDENT TRANSFERABLE	3	0.20	48 153	0.03
PENSION FUNDS	14	1.00	3 149 852	1.80
Totals	1 398	100.00	175 190 642	100.00

TOP 10 SHAREHOLDERS Holder Name	Shares Held	% Holding
NATIONAL SOCIAL SECURITY AUTHORITY	66 196 080	37.79
TRANSNATIONAL HOLDINGS LIMITED	37 557 060	21.44
ZB FINANCIAL HOLDINGS LIMITED	17 667 740	10.08
OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMITED	10 062 547	5.74
MASHONALAND HOLDINGS LIMITED	5 281 975	3.01
FINHOLD GROUP STAFF TRUST	5 273 438	3.01
GOVERNMENT OF ZIMBABWE	3 619 575	2.07
LHG MALTA HOLDINGS LIMITED	2 834 873	2.04
GURAMATUNHU FAMILY TRUST	2 633 917	1.50
MINISTRY OF FINANCE	2 009 157	1.15
Total Holding of Top 10 Shareholders	153 136 362	87.83
Remaining Holding	22 054 280	12.17
Total Issued Shares	175 190 642	100.00


GO BIG
ACHIEVE YOUR FINANCIAL FREEDOM
Take your business to the next level with ZB!

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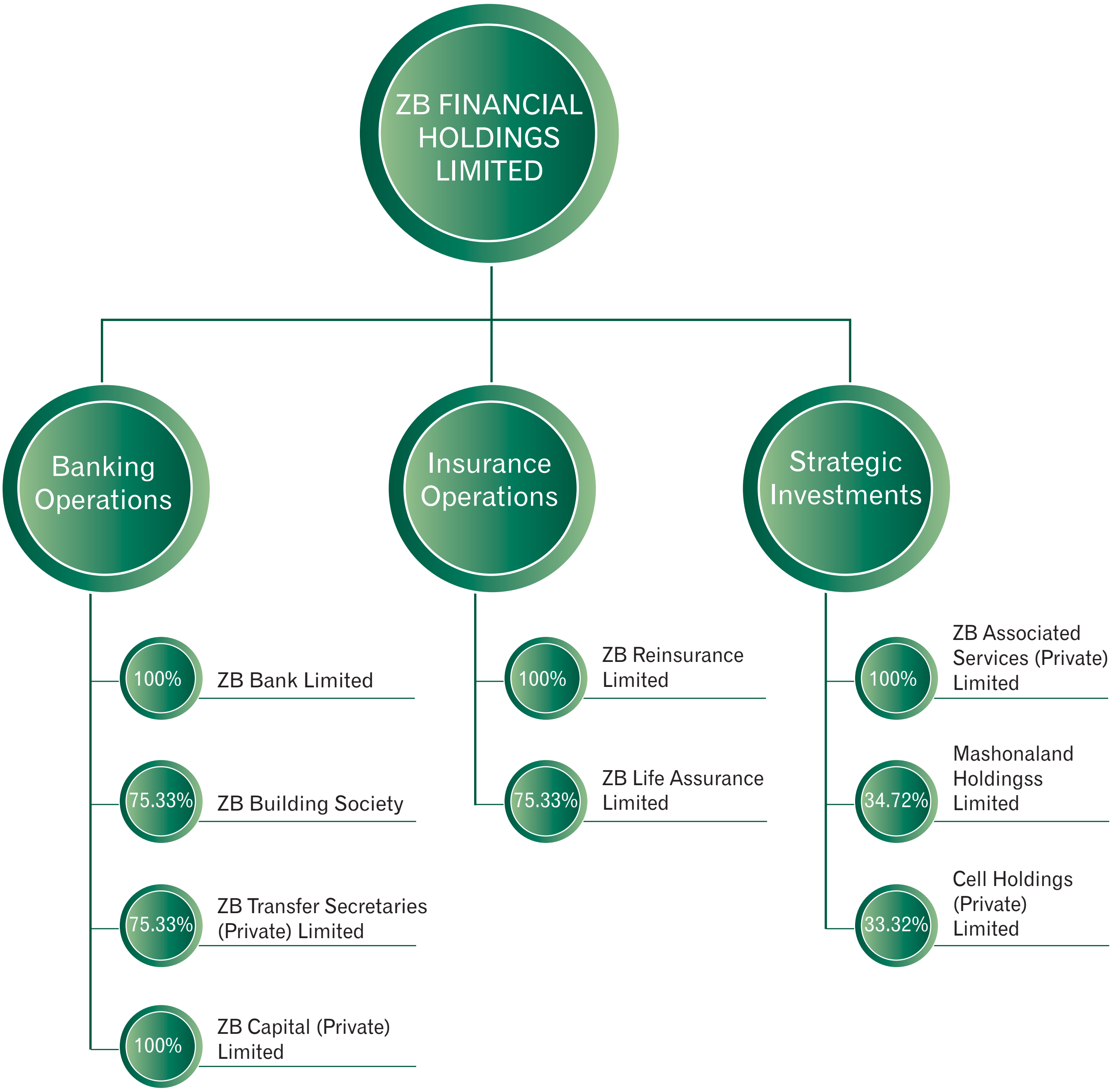
GROUP CORPORATE STRUCTURE

The Group's business focus areas and significant entities operating thereunder are as follows:-



COMPANY AND PRODUCT PROFILE

ZB Financial Holdings Limited (ZBFH) was incorporated in May 1989, as the holding company for a group of companies providing commercial banking, merchant banking and other financial services since 1951.

The business of, products and services offered by its key operating subsidiaries are discribed below:

ZB Bank Limited

ZB Bank is the flagship operation of ZBFH. Banking operations commenced in 1951 when the Netherlands Bank of South Africa opened a branch in then Salisbury, now Harare. These operations, which were sold to the Netherlands Bank of Rhodesia in August of 1967, maintained a steady growth through acquisitions and expansion of operations. The Company changed its name to Rhodesia Banking Corporation Limited in 1972 and then Rhobank in 1979. After the acquisition of a majority shareholding in the Company by the Government of Zimbabwe in 1981 the Company changed its name to Zimbabwe Banking Corporation Limited. The Bank became a subsidiary of Zimbabwe Financial Holdings Limited (FINHOLD) in 1992 following a restructuring of operations in which non-banking operations were removed from the Bank. The Bank was renamed ZB Bank Limited in 2006 following the adoption of a monolithic brand by the Group. The Bank provides retail banking and corporate banking services.

Products and Services

Retail Banking

- Savings accounts
- Current accounts
- Call banking
- Bancassurance
- Personal loans
- Mortgage loans, and
- Home improvement loans

Micro-banking

- Micro business loans
- Savings accounts
- Advisory

Electronic banking

- Internet banking
- E-wallet
- Automated teller machines (ATMs)
- Point of Sale (POS) machines

Corporate & Investment Banking

- Agricultural financing
- Loans
- Overdrafts
- Advisory services
- Corporate savings accounts
- Corporate current accounts
- Asset finance
- Premium finance
- Corporate mortgages

Treasury and Investments

- Fixed deposits
- Treasury bills
- Bankers acceptances
- Savings deposit account
- Foreign currency accounts
- Structured facilities
- Investments advisory services
- Project finance

International Banking

- Correspondent banking
- Commodity finance
- Import and export finance
- Exchange control and advisory services
- Clean documentary collections
- Documentary letters of credit
- Foreign lines of credit

ZB Building Society

ZB Building Society was incorporated in Rhodesia (Zimbabwe) as Founders Building Society and received its trading licence in 1961. The Society changed its name to Intermarket Building Society and later to ZB Building Society, following the acquisition of a majority shareholding in Intermarket Holdings Limited (IHL) by ZBFH.

The main business of the Society is the mobilization of deposits from which it makes advances to the public and corporate bodies on the security of mortgages over immovable property, and loans to public and corporate bodies on the security of their deposits with the Society.

COMPANY AND PRODUCT PROFILE (CONTINUED)

ZB Building Society (continued)

Products and Services

Savings products

- Premium banking
- Cash connect plus
- Cash link accounts
- Senior citizens
- Student accounts
- Cash connect
- Club account corporate accounts
- Savings accounts
- FX target accounts
- Funeral cover

Investments Products

- Negotiable certificates of deposit
- Savings certificate of deposit
- Treasury bills
- Paid up permanent shares

Mortgage Products

- Flexi mortgages plan
- Flexi corporate plan
- Individual mortgage plan
- Corporate mortgage plan

ZB Capital (Private) Limited

ZB Capital (Private) Limited specialises in venture capital finance, corporate finance and advisory services.

The Corporate Finance & Advisory Services unit provides transaction evaluation, financing and deal management advice to private and public companies. The unit offers a considerable range of corporate finance services namely:

- Floatations and public offerings;
- Acquisitions and disposals;
- Takeovers and mergers;
- Capital raisings (both local and International);
- Research;
- Business proposal construction;
- Privatisation/ commercialisation advice;
- Rights offer and placements;
- Joint ventures;
- Management buy-outs;
- Valuations and appraisals;
- Private and public partnerships; and
- Project finance and management

COMPANY AND PRODUCT PROFILE (CONTINUED)

ZB Life Assurance Limited

ZB Life Assurance Limited, then known as Southampton Insurance Company Limited, commenced operations in 1964 as a subsidiary of The African Life Assurance Society. After several reorganisations the Company became wholly owned by Southern Life Association of South Africa in 1985. In line with the local majority shareholding requirement of the Insurance Act, Southern Life reduced its stake in the Company to 49% in 1994. On 1 May 1998 Southern Life's remaining stake was sold to Intermarket Holdings Limited ("IHL") who became the major shareholder in the Company with a shareholding of 57%. In April 2002, the Company changed its name to Intermarket Life Assurance Limited.

After the acquisition of a majority shareholding in IHL by ZBFH, Intermarket Life Assurance Limited changed its name to ZB Life Assurance Limited on 1 July 2007.

ZB Life Assurance Limited (ZB Life) specializes in mobilizing financial resources and managing the process of wealth creation and protection through life assurance solutions.

ZB Life has two major product lines namely the Individual Life Business and the Employee Benefits Business, which comprises Defined Benefits and Defined Contribution Schemes.

Individual Life Products

- Whole life policies
- Unit linked endowment policies
- Unit linked retirement annuity policies
- Variable immediate annuities
- With profits immediate annuities
- Term assurances
- Capital disability benefits
- Funeral assurance plans
- Hospital cash plan

Employee Benefits Products

ZB Life provides a unique offering in retirement benefits, through designing and managing:

- Employer sponsored occupational pension arrangements covering defined benefit and defined contribution plans as well as hybrids of the two.
- Group insured benefits schemes from group life assurance, group mortgage protection, group credit life assurance solutions right through to group funeral assurance plans.

Consultancy Services

ZB Life Assurance also offers solutions to a whole range of challenges relating to the provision of employee benefits. These include benefits design together with the impact of legislative, demographic as well as economic changes and other relevant social trends on the provision of employee benefits.

Consultancy service areas include

- Administration or secretarial
- Actuarial
- Insured risk benefits underwriting
- Investment

ZB Reinsurance Limited

ZB Reinsurance Limited (ZBRe) is the re-insurance arm of ZBFH, offering a diverse range of re-insurance services.

Established as Intermarket Reinsurance Limited in a joint venture between Hollandia Reinsurance of South Africa and Intermarket Holdings Limited in 1997; the company was renamed ZB Reinsurance subsequent to the acquisition of a majority shareholding in IHL by ZB Financial Holdings Group (ZBFH) in 2006.

ZBRe provides facultative and treaty reinsurance solutions and financial security to local and regional insurance companies, reinsurers, medical aid societies and special type clients/consortiums. It offers risk management solutions and technical reinsurance training to its clients.

ZBRe has over the years cultivated lasting partnerships with renowned insurance and reinsurance companies both regionally and internationally, with the view to ultimately entrenching a regional presence.

Products

ZB Reinsurance is active in the provision of both treaty and facultative business for the following classes:

- Fire
  This covers fire and allied perils, including business interruption insurance cover.
- Engineering
  Includes machinery breakdown, contractors all risks, electronic equipment, plant all risks, erection all risks as well as loss of profits.
- Motor
  This includes comprehensive cover and Third Party Insurance cover for personal and commercial lines.
- Marine
  This covers marine risks, both the hull and cargo including liabilities.
- Miscellaneous accident
- Fidelity guarantee
- Bonds and Guarantees
- Glass, money and casualty business, including liabilities and personal accident.

COMPANY AND PRODUCT PROFILE (CONTINUED)

ZB Transfer Secretaries (Private) Limited

ZB Transfer Secretaries (Private) Limited is a wholly owned subsidiary of ZBFH incorporated on 31 December 2010 and provides services listed below:

- Scrip management
- Transfer secretarial services

ZB Associated Services (Private) Limited

This entity provides a wide range of security services to Group and non - Group customers. The entity was incorporated on 17 December 2009 and is 100% owned by ZBFH. Its services include:

- Cash in transit (CIT) services
- Guard services
- Investigations
- Security advisory services

Associate Companies

Mashonaland Holdings Limited (Mash)

Mash is a listed company in which the Group controls 34.72% which is held between the life fund and proprietors of the business. Mash was incorporated in 1966 and its services include:-

- Property research and development:-
  The company has undertaken landmark developments which include significant residential, commercial and industrial projects.

- Property management:-
  The company is involved in the letting and maintenance of an owned portfolio of rental units.

Cell Insurance Company (Private) Limited (Cell)

ZBFH controls a stake of 33.32% in Cell, having become an equity partner in the business in 2007. Cell is a provider of short term insurance products specialising in the rent- a-cell concept.

Cell is also the technical partner to ZB Bank for the bancassurance products offered to customers through the bank's branch network.

Products

- Cell captive (Rent-a-Cell)
- Enterprise wide risk management
- Bancassurance
- Conventional short term insurance products
- Medical aid funds
- Medical services

CORPORATE REVOLUTION LADDER

2008

Formed ZB Securities Limited, a stockbroking company active on the Zimbabwe Stock Exchange. This operation was discontinued in 2014.

2007

Acquisition of an associate interest (32%) in Cell Insurance Company (Cell) was completed. Cell is involved in the provision of short term insurance solutions, medical fund management and provision of medical services.

2007

Acquisition of a controlling interest in Intermarket Holdings Limited (IHL) (84.26%) was completed. IHL subsidiaries are involved in banking, life assurance, reinsurance and property management businesses.

2006

FINHOLD was renamed ZB Financial Holdings Limited with the objective of bringing all Group operations under one brand.

2004

Syfrets Asset Management Company (now ZB Asset Management) was formed to carry out fund management services in terms of the regulatory requirements. Operations were discontinued in 2014.

1996

Sybank was merged into Zimbank

1990

Continental Capital (Private) Limited (now ZB Capital) was formed in order to carry out venture capital activities for the Group.

CONTINENTAL CAPITAL (PRIVATE) LIMITED

1989

Zimbabwe Financial Holdings Limited (FINHOLD) was formed with the objective of bringing all subsidiary and associate companies under one Holding Company. This was executed in December of 1992. Zimbank was made a subsidiary of FINHOLD.

CORPORATE REVOLUTION LADDER (CONTINUED)

1981 – Zimbank: The Government acquired a 61% shareholding and the Company changed its name to Zimbabwe Banking Corporation Limited (Zimbank).

1979 – Rhobank: Company changed name to Rhobank

1974 – SYFRETS TRUST & EXECUTOR LIMITED: Acquired the entire shareholding of Syfrets Trust & Executor Limited

1972 – RHODESIAN BANKING CORPORATION LIMITED: Company changed name to Rhodesian Banking Corporation Limited

1970 – Alexander Forbes: Company acquired interests in Willis Faber Syfrets (now Alexander Forbes Zimbabwe), a firm of local insurance brokers. Shareholding in Alexander Forbes was disposed of in 2014.

1967 – Scotfin: Netherlands Bank of Rhodesia Limited incorporated and took over Rhodesian operations of Netherlands Bank of South Africa. Acquired the entire issued capital of Scottish Rhodesian Finance Limited (later known as Scotfin). Neficrho Limited (later known as Sybank), another wholly owned subsidiary was registered as a financial institution. Company obtained listing on the Rhodesia Stock Exchange.

1951 – NETHERLANDS BANK OF SOUTH AFRICA: Foreign branch of Netherlands Bank of South Africa was opened in Salisbury (now Harare).

CORPORATE GOVERNANCE REPORT

ZB Financial Holdings Limited (ZBFH) is listed on the Zimbabwe Stock Exchange (ZSE) and endeavours, at all times, to uphold principles of good corporate practice and conduct as enunciated in Zimbabwe's National Code on Corporate Governance. The Group also subscribes to international corporate governance best practices and is committed to observing to the extent possible, principles contained in the King IV Report on Corporate Governance of South Africa which came into effect on 1 April 2017.

The Group also complies at all material times with the Listing Requirements of the ZSE, the Companies Act [*Chapter 24:03*], the Banking Act [*Chapter 24:20*], the Building Societies Act [*Chapter 24:02*], the Insurance Act [*Chapter 24:07)*], any regulations made under these acts, general laws governing trade in Zimbabwe, and the provisions of its own Memorandum and Articles of Association.

THE BOARD OF DIRECTORS

The Composition of the Board

The Board of Directors comprises two executive directors and seven non-executive directors. The Board Chairman is a non-executive director.

A number of Board changes were effected during the year in order to strengthen the Board's oversight function.

Six Non-Executive Directors, being Messrs M. Mahachi, O. Matizanadzo, R. Mbaiwa, N. M. Vingirai, Prof Z. Muranda and Dr J. D. G. Nhavira, were not elected to the Board of Directors following their retirement at the Company's Annual General Meeting that was held on the 12th of May 2017, having been appointed to the Board in the intervening period since the previous members' meeting.

In reconstituiting the Board, three new Non-Executive Directors were subsequently appointed to the Board of Directors during the year, namely, Mrs P Chiromo and Mr J Mutevedzi, who were appointed with effect from 4 August 2017, and Mr A Z Mangwiro who was appointed with effect from 4 October 2017.

The Group's operations are controlled by the Group Executive Committee, the Group Chief Executive, the Managing Directors of subsidiary companies and the respective company executive officers who are accountable, through regular reports, to the Board.

The Group's non-executive directors are appointed on the basis of their different skills and expertise to enable them to exercise independent competent judgement on the issues affecting the Group from time to time.

Article 68 of the company's articles of association requires one third of the company's directors to retire by rotation annually. Retiring directors are eligible to stand for re-election at regular intervals not exceeding three years.

In compliance with section 19(3) of the Banking Act (*Chapter 24:20*) introduced through the Banking Amendment Act 2015, the term of office of each non-executive director is limited to a maximum continuous period of ten (10) years. A five (5) year cooling off period is allowed for each retiree before he/she may be considered for re-appointment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board's Role and Responsibilities

The Company has a Board Charter which governs the Board's roles and responsibilities. The Charter includes the following as part of the Board's broad mandate:

a. setting the strategic direction of ZBFH and monitoring the implementation of that strategy by ZBFH's management;
b. oversight of the Group, including its control and accountability systems;
c. appointing and removing the Group Chief Executive;
d. Board and Executive Management development and succession planning;
e. monitoring compliance with all relevant legal, tax and regulatory obligations; and
f. Reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

Induction and Evaluation of Directors

New directors go through an induction process that focuses on their duties and responsibilities to the Company and its stakeholders. The Directors are informed of any new relevant legislation and changing commercial risks that affect the company.

Directors are aware that they are entitled to seek independent professional advice, where necessary and at the Company's expense, on the affairs of the Company in the furtherance of their duties. All directors have access to the Company Secretary who is responsible to the Board as a whole for ensuring the Company's compliance with procedures and applicable statutes and regulations.

Board Committees

The Board's focus is on superintending over Group issues and formulating a strategy for the Group as a whole. In order to assist it in carrying out its mandate, the Board has the following standing Committees:

i. The Audit Committee
ii. The Information Technology Committee
iii. The Human Resources and Remuneration Committee
iv. The Nomination Committee
v. The Governance, Risk and Compliance Committee; and
vi. The Strategy and Marketing Committee

The Strategy and Marketing Committee was previously configured as two distinct committees looking after Strategy and Marketing aspects. The two committees were combined during the year to eliminate scope overlaps and improve effectiveness.

The Governance, Risk and Compliance Committee, previously named Board Risk Management Committee, was reconfigured to give more prominence to governance and compliance matters in its scope.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Audit Committee

The Committee comprises three non- executive directors. Its terms of reference include:

a. To review the quality of financial information, interim and financial statements, and other public and regulatory reporting of the Group;
b. To review the annual report and accounts of the Group, to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the Group;
c. To review the external auditor's proposed audit report;
d. To review the results of work performed by the internal audit function in relation to financial reporting, corporate governance, internal control, and any significant investigations and management responses; and
e. To review the co-ordination between the internal audit function and the external auditor and to deal with any issues of material or significant concern.

The IT Committee

The Committee comprises three non-executive directors.
Its terms of reference include:

a. To review and approve Group IT policies with the ultimate objective of achieving an efficient use of IT resources available within the Group; and
b. To endeavour to develop ideas on a regular basis to achieve cost reduction on the use of IT products and processes while also ensuring compliance with safe and reliable standards.

The Human Resources and Remuneration Committee

The Committee comprises three non-executive directors. Its terms of reference include:

a. To review and determine on a regular basis remuneration policies and conditions of service for employees of the Group;
b. To monitor adherence to approved Human Resources policies of the Group;
c. To determine the remuneration levels and conditions of service of all employees falling under the executive grade of the Group;
d. To receive for consideration and approval if deemed appropriate, proposals of reviews of salaries and conditions of services for employees of the Group; and
e. To receive information from management on a regular basis on the prevailing salaries and conditions of service of employees in the financial services sector generally, for purposes of comparison with the Group's own salaries and conditions of service.

The Nominations Committee

The Committee comprises four non-executive directors. Its terms of reference include:

a. To lead the process of identifying, assessing, and recommending to the Board, candidates for appointment as directors of the Company;
b. To review on a regular basis, and to make recommendations to the Board, any changes on the membership of Board committees; and
c. To review at least once a year, the structure, the size and the composition of the Board and the skills available to the Board, and to make recommendations on any changes, or additions to the Board, which in the Committee's view may be necessary to enhance the Board's effectiveness.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Governance, Risk and Compliance Committee

The Committee comprises three non-executive directors. Its terms of reference include:

a. To review the adequacy and overall effectiveness of the business Units risk management functions and their performance, and reports on internal control and any recommendations;
b. To review the adequacy of insurance coverage for Group assets;
c. To review risk identification and measurement methodologies;
d. To review the effectiveness of ZBFH's implementation of its risk management system and internal control framework; and
e. To review the level of governance with laws and regulations, internal policies and procedures as well as to monitor the remediation program for any indentified compliance gaps.

The Strategy and Marketing Committee

The Committee comprises three non-executive directors. Its terms of reference include:

a. To consider and review on an on-going basis the Group's capital structure and funding.
b. To review on an on-going basis the Group's capital management planning.
c. To approve the strategy and objectives of the Group.
d. To monitor on a regular basis the performance of all business units of the Group against the agreed strategy and set objectives.
e. To monitor the state of the relationship between the Group and its various stakeholders.
f. To give policy direction, guidance and counsel on ZBFH Group's overall marketing strategy with an emphasis on brand visibility and reputation, innovation and new product development, product profitability and pricing, as well as channel management initiatives.
g. To review and approve submissions from management on the annual strategic marketing plan objectives, marketing strategies and the marketing budget.

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD ATTENDANCES DURING THE YEAR

ZB Financial Holdings Limited (ZBFH) Board		
Total meetings	13	
Name	Meetings attended	Number of elegible meetings
*Prof C Manyeruke (Chairman)	10	11
R Mutandagayi	11	13
F Kapanje	13	13
O Akerele	9	13
*T S Bvurere	10	11
***P Chiromo	3	5
**M Mahachi	5	5
****A Z Mangwiro	3	5
**O Matizanadzo	5	5
**R Mbaiwa	3	3
**Prof Z Muranda	5	5
***J Mutevedzi	5	5
B P Nyoni	12	13
**Dr J D G Nhavira	5	5
**N M Vingirai	5	5

*T S Bvurere was appointed to the board with effect from 17 February 2017.

*Prof C Manyeruke was appointed to the board with effect from 17 March 2017 and was elected as chairman with effect from 5 June 2017.

**R Mbaiwa was appointed to the board with effect from 17 March 2017.

**Messrs N M Vingirai, M Mahachi, O Matizanadzo, R Mbaiwa, Dr J D G Nhavira and Prof Z Muranda retired from the board with effect from 12 May 2017.

***J Mutevedzi and P Chiromo were appointed on the board with effect from 4 August 2017.

****A Z Mangwiro was appointed on the board with effect from 4 October 2017.

ZB Bank Limited Board		
Total meetings	5	
Name	Meetings attended	Number of eligible meetings
S A Sibanda (Chairman)	4	5
G Nheweyembwa	5	5
G Chikomo	5	5
G N Mahlangu	4	5
C Mandizvidza	4	5
P M Matupire	5	5
R Mutandagayi	3	5
*C Nyachowe	1	1

*C Nyachowe resigned from the board with effect from 25 April 2017.

ZB Building Society Board		
Total meetings	6	
Name	Meetings attended	Number of eligible meetings
*C Sandura (Chairman)	6	6
E Mungoni	6	6
S K Chiganze	4	6
C Makoni	5	6
R Mutandagayi	5	6
M T Sachak	4	6
S A Sibanda	4	6

*C Sandura was elected the Chairman of the society with effect from 16 November 2017 taking over from S A Sibanda.

CORPORATE GOVERNANCE REPORT (CONTINUED)

ZB Reinsurance Company Board		
Total meetings	4	
Name	Meetings attended	Number of eligible meetings
**P Murambinda (Chairman)	4	4
B Shumba	4	4
F B Chirimuuta	4	4
R Mutandagayi	4	4
*C Nyachowe	1	1

*C Nyachowe resigned from the board with effect from 25 April 2017.

**P Murambinda was elected as the chairman of ZB Reinsurance with effect from 29 June 2017 taking over from C. Nyachowe.

ZB Life Assurance Board		
Total meetings	4	
Name	Meetings attended	Number of eligible meetings
C Mandizvidza (Chairman)	4	4
A G Chinembiri	4	4
E T Z Chidzonga	3	4
C Makoni	4	4
L Mawire	4	4
M Mkushi	4	4
R Mutandagayi	3	4

DIRECTORATE

Prof. Charity Manyeruke
Chairman

- Doctor of Philosophy, International trade (UZ)
- Master of Science International Relations (UZ)
- Bachelor of Science Politics and Adminstration (UZ)
- Diploma in Human Resources Management (IPMZ)
- Diploma in Public Relations (LCCI)
- Management and Law Courses (UNISA)

Ronald Mutandagayi
Group Chief Executive

- Bachelor of Accountancy (Honours) (UZ)
- Chartered Accountant (Z)
- Master of Business Leadership (UNISA)

Fanuel Kapanje
Group Finance Director

- Bachelor of Accountancy (Honours) (UZ)
- Bachelor of Computing Science (Accounting) (UNISA)
- Chartered Accountant (Z)
- Registered Public Accountant (RPAcc, Z)

Olatunde Akerele
Non Executive Director

- Masters in Business Adminstration (Finance)
- Bachelor of Laws (LLB) (Honours) (LSE)

Terekuona S. Bvurere
Non Executive Director

- Bachelor of Accountancy (Honours) (UZ)
- Chartered Accountant (Z)
- Registered Public Accountant (RPAcc, Z)

DIRECTORATE (CONTINUED)

Peter B. Nyoni
Non Executive Director

- Masters of Business Adminstration
- Bachelor of Arts in Religious Education
- Masters of Arts (Combined Honours) Theology and African Studies
- Advanced Diploma in Theology

P Chiromo
Non Executive Director

- Masters of Business Adminstration (UK)
- Bachelor of Computing Sciences (SA)
- Association of Chartered Certified Accountants (ACCA) (UK)

J Mutevedzi
Non Executive Director

- Bachelor of Laws (LLB) (Honours) (UZ)

A Z Mangwiro
Non Executive Director

- Bachelor of Science in Health Sciences (UZ)

CORPORATE SOCIAL INVESTMENT 2017

ZB Financial Holdings (ZBFH/ the Group) recognizes that its success is tied to the promotion of social progress and as such it has in place a Corporate Social Investment policy that commits a portion of its annual earnings towards this project. The primary objectives of the CSI policy are:

a) To reinforce the corporate brand.
b) To improve corporate visibility.
c) To establish and maintain good relations with staff and the community in which the Group operates.

Embedded in the CSI strategy is the focus on sustainability, community empowerment and wellness. Employee volunteering is a concept that has also been embraced, the most notable activity being the observance of a Orange Day during which employees voluntarily donated towards KIDZCAN, a Cancer Awareness Program in schools.

An extract of some of the CSI initiatives for 2017 is as follows;

1.0 Building communities through Education and sports

Education remains a focal investment point since the Group adopted goal number 4 of the United Nations. The Sustainable Development Goals, (SDGs) which seeks to ensure inclusive and equitable quality education and promote lifelong learning opportunities.

ZBFH supports schools from primary to tertiary education through a number of initiatives, with the major focus being on those children coming from underprivileged backgrounds. Donations worth more than $300 000 were made towards several initiatives that include District Education Awards, Graduation Day prizes as well as other projects related to schools and universities. Annually, the Group sponsors students through the Education Assist program that has benefitted 15 students from disadvantaged backgrounds.

The Group also actively sponsored a number of sporting initiatives in schools and universities. This included funding regional and international trips. Plans are also underway to invest significantly towards sponsorship of developmental sports with emphasis being placed on cricket and rugby.

The Group associates itself with the view that communities and livelihoods can be changed through sport. Sport will therefore remain a key element in the community engagement programmes going forward.

2.0 Donations towards Health and Welfare

Sound health and community welfare is integral to sustained economic development. When public health issues put employee productivity and the community's well being at risk, it is a business issue that demands action. ZBFH made a contribution to community well-being and continued to support projects run under the auspices of the Mayors' Christmas Cheer Funds, Rotary clubs, Lions clubs as well as various churches. Assistance was also provided to the aged in keeping with cultural norms.

Cancer awareness and research

ZBFH takes a particular interest in sponsoring initiatives towards cancer awareness and research especially in children. To this end the Group has partnered KIDZCAN and commits to increase its sponsorship and involvement in their efforts.

3.0 Donations towards Arts and Culture

ZBFH once again sponsored Harare International Festival of Arts (HIFA) for the fourth year running through venue accreditation and provision of shuttle services to various perfomances of art fans, amongst which a large contigent was foreigners.

Through the participation of the corporate world such as ZBFH, HIFA is able to absorb the huge costs of running such a premium event and to provide infrastructure and organizational support to the local arts community. This removes all the barriers that the local artists face in their industry and gives them exposure to international artists and audiences and invariably promotes growth.

The Group realizes and appreciates the value of creating an active network of arts organizations and as such it is committed to supporting HIFA to achieve these goals. Liaison with other organizations within the arts sector allows HIFA to identify common objectives, create long term linkages and give a coherent and sustained level of support to the artistes.

CORPORATE SOCIAL INVESTMENT 2017 (CONTINUED)

The annual event is seen as a festival of standing where the best of Zimbabwean arts and culture can be showcased. Selected customers of the Group are given an opportunity to attend the pre-eminent arts festival with brand association being positive in generating brand equity.

4.0 Economic Development

ZBFH partners with government, quasi- government, private institutions and community organizations to create an environment for job creation and business investment. In this regard the Group is a member of Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce, Zimbabwe Association of Pension Funds, Zimbabwe Institute of Management, Institute of Personal Management of Zimbabwe and Chamber of Mines.

The Group has over the years and in 2017 supported the various developmental conferences and projects taking place in the economy. Particular interest is taken in programmes that support self sufficiency. As such the Group is also a member of the Small to Medium Enterprises (SME) association as well as Empretec.

Going forward, the Group's focuses on deepening financial inclusion and tapping into the informal sector where it will seek sponsorship opportunities for community development. The Group will also seek to align with the government thrust of enabling and empowering women and youth towards economic growth.

Events Sponsored in 2017

- Chamber of Mines AGM
- Zimbabwe Association of Pension Funds AGM
- Zimbabwe National Chamber of Commerce
- Association of Certified Chartered Accountants Winter School
- Institute of Chartered Accountants of Zimbabwe Winter School
- Zimbabwe Mining Indaba
- Confederation of Zimbabwe Industries Congress
- Rural District Councils Conference
- Zimbabwe Teachers Association Conference
- Women Excel Conference

PHOTO GALLERY

ZB sponsored preschool sports day

CORPORATE SOCIAL INVESTMENT 2017 (CONTINUED)

PHOTO GALLERY (continued)

Mazowe High School
under 20 Volleyball team

TC Hardy Secondary School (Ruwa)
bus commissioning

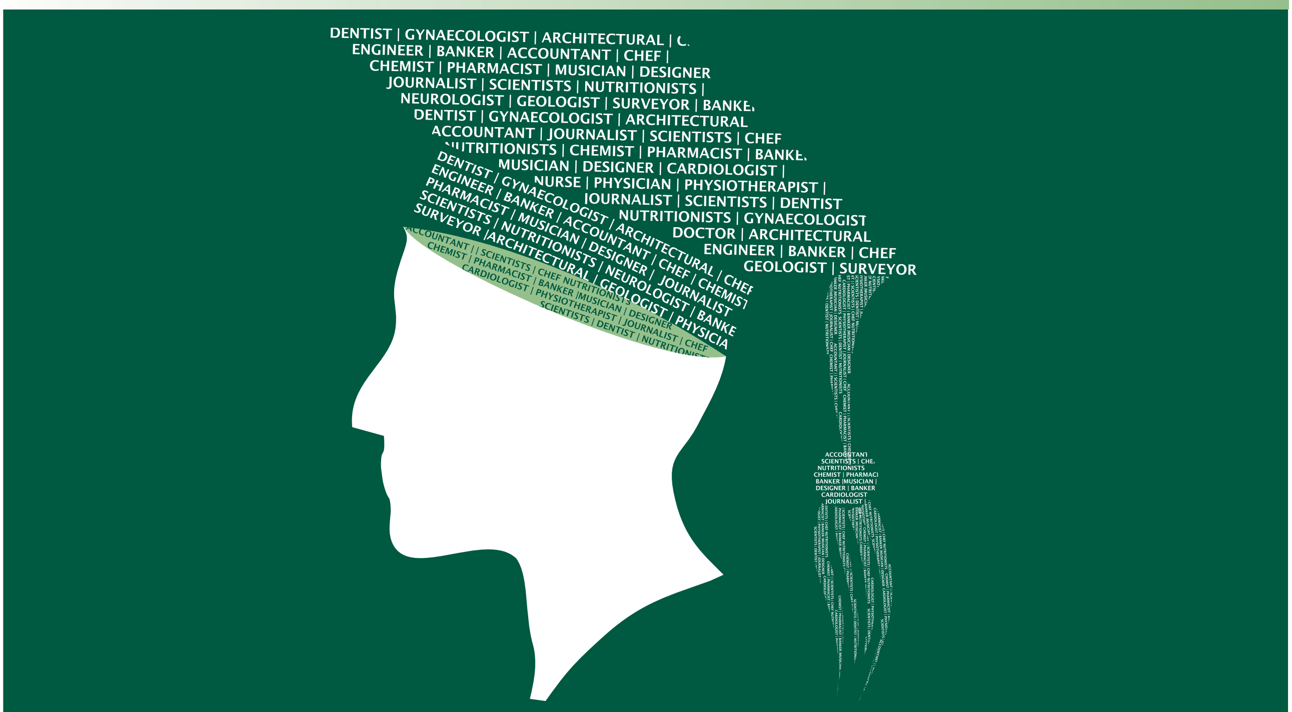
Invited guests enjoy their food at the ZB sponsored Zimbabwe National Chamber of Commerce (ZNCC) event in Victoria Falls

ZB staff in their bright Orange colours in support of Kidzcan awareness of Children Cancer

Donation to Bumbudzo Old People's Home

CORPORATE SOCIAL INVESTMENT 2017 (CONTINUED)

Fostering creativity through investing in the arts



It's possible to finance it all, with a ZB Higher and Tertiary Education Loan

CHAIRMAN'S STATEMENT

Professor C Manyeruke
Chairman

Inflation closed the year at 3.46% compared to a negative 0.93% measured on a year-on-year basis.

Operating Environment:

In its Global Economic Prospects report published on 9 January 2018, the World Bank estimated the global GDP growth to have peaked from 2.4% in 2016 to 3% in 2017, above the June 2017 forecast of 2.7%, underpinned by a broad-based recovery encompassing more than half of the world's economies. A substantial acceleration in global trade strengthened export growth in most emerging market and developing economies (EMDEs). Future global growth challenges are likely to emerge from the subdued capital deepening, slowing productivity growth and less favourable demographics in developed nations.

Meanwhile, the Government estimates that the Zimbabwean economy grew by 3.7% in 2017, significantly higher than the projection of 2.8% made by the World Bank in June 2017. Growth in 2017 was on the back of an upswing in the mining sector and a buoyant performance in the agricultural sector. The mining sector grew by 8.5% in 2017, taking advantage of a modest recovery in international prices for most minerals. Interventions by Government to capacitate small scale miners boosted production in the gold and chrome sectors whilst measures to stem out leakages would have assisted the statistics. On the other hand, the Agricultural Sector is estimated to have grown by 14.6% in 2017 on the back of a good 2016/17 rainy season and the command agriculture stimulation program undertaken by Government.

The local monetary environment remained unstable for most of the year with cash shortages and backlogs in foreign remittances having persisted, the resultant general apprehension being a boon for pricing malpractices thus inducing cost pressure on business.

With simmering inflationary pressure from widespread pricing distortion, the stock exchange emerged as a value hedge with the market capitalisation having increased by 140.14% on a year-on-year basis as at 31 December, 2017, despite a significant 18.87% retreat in the last quarter. This rally was despite a reduction in industry capacity utilisation from 47.4% in 2016 to 45.1% in 2017 as reported by the Confederation of Zimbabwean Industries.

Inflation closed the year at 3.46% compared to a negative 0.93% measured on a year-on-year basis.

CHAIRMAN'S STATEMENT (CONTINUED)

Financial Results:

The Group has maintained a positive performance trend, posting a net profit of $15.5m for the year under review. The results are discussed in more detail in the Group Chief Executive's report.

Dividends:

In line with the Group's dividend policy, the Board has declared a final dividend of 1.83 US cents per share for the year ended 31 December 2017.

Dividend payment dates will be advised to members in a separate announcement in due course.

Governance:

I am glad to report that the Group has substantially complied with the Corrective Order issued by the Reserve Bank of Zimbabwe on 7 March, 2017 dealing with corporate governance matters. Formal lifting of the order is pending a review by the regulator.

Litigation:

In the 2016 Annual Report the then Acting Chairman reported substantial progress in the resolution of the long-standing dispute between ZB Financial Holdings Limited (the Company) and Transnational Holdings Limited (THL) relating to the ownership of Intermarket Holdings Limited (IHL), an 84.26% subsidiary of the Group. In May 2016, the Government of Zimbabwe, then a significant shareholder in the Company at 24.65%, offered as full settlement a significant part of that shareholding, equivalent to 19.79%, to THL as part of a resolution framework that envisaged a further allocation of an additional 6.21% from the Company.

The request to allocate additional shares from the Company was rejected by members at the last Annual General Meeting. The legal challenge by THL on the acquisition of IHL by the Company has therefore remained outstanding at the Supreme Court where it has been since 2008.

The Board is assessing various mechanisms for the resolution of this matter.

Directorate:

Mr. A Mangwiro was appointed to the Board in the last quarter of 2017.

Outlook:

The Group welcomes sentiments attributed to policy makers, fiscal and monetary authorities seeking to engender financial stability and to improve business confidence in the country. The Group pledges its support and will position itself to play a significant part in the economic renaissance.

Conclusion:

I extend gratitude to all our stakeholders and customers for their support during the year under review.

I would also want to thank fellow Board colleagues, management and staff for their dedication and effort in producing a pleasing result for the year.

Prof. C Manyeruke
Chairman

15 February, 2018

GROUP CHIEF EXECUTIVE'S REPORT

R Mutandagayi
Group Chief Executive

Banking commissions, fees and other income increased from $35.3m to $41.5m driven by an increased usage of the Group's electronic banking platforms.

Performance Background:

A persistent liquidity glut on the local market continued to pull interest rates down as investment opportunities remained narrow. However, unique characteristics of the market, such as the unavailability of cash and foreign currency led to suboptimal liquidity distribution as many borrowing clients minimised their access to approved credit facilities as they struggled to navigate challenges in the operating environment.

The Group experienced an upswing in business across all units. However, traditional revenue lines became increasingly constrained with commissions from electronic transactions becoming more prominent as the usage of those channels became widespread.

Cost pressure was felt throughout the enterprise as general pricing trends on the market became unstable. That notwithstanding, the Group was able to achieve improved cost efficiency, courtesy of measures taken to streamline the cost base.

Group Results:

Buoyed by a strong performance in non-funded income, the Group's total income, net of loan impairment charges, increased by 12% from $65.1m in 2016 to $72.7m in 2017. Banking commissions, fees and other income increased from $35.3m to $41.5m driven by an increased usage of the Group's electronic banking platforms.

The Group's investment earnings grew by 607% during the year, being a result of strong dividend earnings and fair value credits pursuant to bullish performance of the Zimbabwe Stock Exchange during the year.

Net earnings from the insurance businesses increased by 9% on the back of improved product penetration in the life assurance business and a flat outturn on the related insurance expenses.

The Group's net earnings from lending and trading activities reduced by 15% from $17.5m to $14.8m following a net impairment charge of $3m against a net credit of $0.8m in the previous year. However, the net interest and related income improved by 6% from $16.7m to $17.8m; this was despite a 10% reduction in gross income interest which was offset by a 35% reduction in the related interest expense as the funding book, being transient in nature, re-priced faster than the asset book during a period in which rates were adjusting downward.

Operating expenses increased by 3% from $49.5m to $50.9m whilst the cost efficiency ratio improved from 76% to 70%.

GROUP CHIEF EXECUTIVE'S REPORT (CONTINUED)

The Group will continue to monitor the cost base, striking a balance between business requirements and the medium term target cost to income ratio of 50%.

A profit of $15.5m (2016 - $11.4m) was earned during the year following a debit for the movement in the life fund of $3.6m (2016 - $0.5m), a share of associate companies' earnings of $0.7m (2016 – loss of $2.3m), and a tax charge of $3.3m (2016 - $1.4m).

Of the earned profits, $14.4m (2016 - $10m) was attributable to the owners of the parent company, thus providing a 16% (2016 – 13%) return on average equity.

The Group's balance sheet increased by 20% from $439.3m at 31 December, 2016 to $527.1m, at 31 December, 2017. This movement was largely driven by a 26% increase in deposits which closed the year at $347.1m. Conversely, cash balances and treasury bills increased by 30% and 31% to close at $106.8m and $155.9m respectively, thus utilising most of the funding which is largely short term in nature.

The gross loan book increased by 12% to close the year at $128.3m (2016 - $115.1m), of which a net of $105m (2016 - $99.2m) is included in the statement of financial position.

The Group maintained an aggregated liquidity ratio above 64% throughout the year whilst earning assets constituted 70% (2016 – 70%) of the total asset book.

On the back of the performance of underlying assets and business growth the life fund increased by 13% to close the year at $31.8m (2016 - $28.3m).

The Group's total equity increased by 13% to close the year at $101.1m. Equity growth remains a strategic focus area for the long term sustainability of operations. The Group expects to meet the Tier 1 Minimum Capital requirements for its banking operations set at $100m by 2020 largely from organic growth.

Business Update:

Following widespread system outages during the first half of the year as a result of an exponential increase in transaction volumes the Group invested in additional system resources to stabilise its banking systems resulting in vastly improved performance. Further investment is underway to enhance customer experience.

The Group made progress in negotiating lines of credit with $10m having been concluded and awaiting disbursement whilst another $20m is at closing stage.

I am happy to announce the successful closure of the $100m Zimbabwe National Roads Authority (ZINARA) Emergency Roads Rehabilitation Fund which was 5% oversubscribed and is managed by the Group. This places the Group as a key player in the restoration of infrastructure in the country.

The Group's focus on property development projects received a boost with the signing of a contract with Plumtree Town Council which is set to see the delivery of 708 residential stands. Negotiations are continuing for similar deals with other local authorities.

Internal Stakeholders:

The Group continued to maintain cordial relations with staff.

In order to enhance service, customer care clinics were conducted during the year and these were attended by both managerial and general staff. In pursuit of service excellence, a total of 39 staff development courses with a total of 694 attendances were conducted during the year.

The Group employed a total of 1 009 staff members as at 31 December 2017, 650 being permanent employees whilst the balance comprised fixed term contracts, graduate trainees and students on attachment.

Acknowledgements:

I would like to thank all our customers for the support received during the year.

I also extend gratitude to the Board for the wise counsel and management and staff for the effort and contribution made during the year.

R Mutandagayi
Group Chief Executive

15 February, 2018.


MORTGAGE PLAN
#GOBIG
SEE THE BIGGER DREAM
Your dreams of success are Bigger than you.
Build on a solid foundation and leave a legacy.

ECONOMIC OVERVIEW

WORLD ECONOMY

Global growth is estimated to have risen by 0.6 percentage points, from 2.4% in 2016 to 3% in 2017, underpinned by a broad-based recovery encompassing more than half of the world's economies. A substantial acceleration in global trade translated into strengthening export growth in most emerging market and developing economies (EMDE) regions. As headwinds eased in commodity exporters, investment and activity bottomed out in 2017, but income per capita was stagnant.

Growth in advanced economies is estimated to have improved by 0.7 percentage points, from 1.6% in 2016 to 2.3% in 2017, driven by a pickup in capital spending, a turnaround in inventories, and strengthening external demand. While growth accelerated in all major economies, the improvement was markedly stronger than expected in the Euro Area (2.4% growth in 2017). Growth in advanced economies is projected to slow to 2.2% in 2018 and 1.7% in 2020, as labour market slack diminishes and monetary policy accommodation is gradually unwound, moving closer to subdued potential growth rates, which remain constrained by aging populations and weak productivity trends.

Growth among emerging markets and developing economies (EMDEs) is estimated to have accelerated by 0.6 percentage points, from 3.6% in 2016 to 4.3% in 2017, reflecting firming activity in commodity exporters and continued solid growth in commodity importers. The improvement in economic activity among commodity exporters took place as key economies, e.g. Brazil and Russia, emerged from recession, prices of most commodities rose, confidence improved, the drag from earlier policy tightening diminished, and investment growth bottomed out after a prolonged period of weakness. Nonetheless, the estimated pace of growth in commodity exporters in 2017, at 1.8%, was still subdued and not enough to improve average per capita incomes, which continued to stagnate after two consecutive years of contraction.

Growth in EMDEs is expected to accelerate, reaching 4.5% in 2018 and an average of 4.7% for the period 2019-20. This mainly reflects a further pick-up of growth in commodity exporters, which is forecast to rise to 2.7% in 2018 and to an average of 3.1% in 2019-20, as oil and other commodity prices firm and the effects of the earlier commodity price collapse dissipate. Growth in commodity importers is projected to remain stable, averaging 5.7% in 2018-20, as a gradual slowdown in China is offset by a pick-up in some other large economies. Within the broader group of EMDEs, growth in low-income countries is projected to rise to 5.4% in 2018 and to 5.6%% on average in 2019-20, as conditions gradually improve in oil and metals-exporting economies.

Growth in Sub-Saharan Africa (SSA) is estimated to have rebounded to 2.4% in 2017, after slowing sharply to 1.3% in 2016, as commodity prices recovered, global financing conditions remained favourable, and slowing inflation lifted household demand. However, the recovery was slightly weaker than forecast, and was marked by still-negative per capita income growth, low investment, and a decline in productivity growth. Growth is forecast to rise to 3.2% in 2018, and 3.6% by 2020.

Growth in the Middle East and North Africa region is estimated to slow sharply from 5.0% in 2016 to 1.8% in 2017, with the impact of oil production cuts and heightened geopolitical tensions on oil exporters having more than offset a pick-up among oil importers. Regional activity is forecast to strengthen gradually over the medium term, in response to policy reforms and easing fiscal adjustments. Key downside risks to the outlook include continued conflicts in the region, weakness in oil prices, and obstacles to reform progress, which are only partly offset by the effects of possible stronger-than-expected Euro Area activity.

Global growth is projected to edge up to 3.1% in 2018, as the cyclical momentum continues, and then slightly moderate to an average of 3% in the period 2019-20.

DOMESTIC ECONOMY

1.1 Economic Growth

The Government estimates that the Zimbabwean economy grew by 3.7% in 2017, underpinned by growth in agriculture (14.6%), mining (8.5%), and electricity generation (10.7%). Factors that contributed to the 2017 growth include, but are not limited to, the success of the Command Agriculture program, boosted by the receipt of normal to above-normal rainfall in most parts of the country, as well as rising mining output and improvements in international commodity prices.

ECONOMIC OVERVIEW (CONTINUED)

The Government projects the economy to grow by 4.5% in 2018, premised on the 'New Economic Order', wherein Government is instituting economic and investment recovery measures, underpinned by strengthening of cooperation with global partners. However, economic growth prospects will also hinge on success in the Government's quest to clear arrears with preferred multilateral creditors and hence unlock credit lines. Although it is encouraging to note that the Government, under the New Economic Order, is working on a raft of reforms which include rationalizing fiscal expenditure in order to contain the fiscal deficit to within manageable levels, expenditures related to funding the 2018 harmonised elections and political campaigning will make it difficult for the Government to significantly curb expenditure.

1.2 REAL SECTORS

1.2.1. Agriculture Sector

In 2017, agriculture is estimated to have grown by 14.6%, up from the initial projection of 12%, driven by Government co-ordinated interventions in partnership with the private sector. The successful Command Agriculture program is to be expanded to include soya beans and livestock production.

In 2018, agriculture is projected to grow by 10.7%, on the back of 5.26% growth in flue cured tobacco output from 190,000 tons in 2017 to 200,000 tons in 2018, a 2.09% growth in maize output from 2.16 million tons to 2.2 million tons, a 73.3% growth in cotton production from 75,000 tons to 130,000 tons, and a 25% growth in wheat production from 160,000 tons to 200,000 tons.

The Government is projecting the 2017/18 tobacco output at 200 million kg, a 5.8% rise from 189 million kg attained in the 2016/17 season. Statistics from the Tobacco Industry and Marketing Board (TIMB) show that as at end of December 2017, tobacco worth US$1.2 billion had been exported.

In the 2018 Budget Statement, the Government announced various interventions for the agriculture sector, aimed at enhancing production, including but not limited to:

i. Security of tenure: strengthening the legal standing of Offer Letters and 99 Year Leases.
ii. Monitoring of Agriculture Inputs: strengthening of the inputs control and distribution systems, as well as program monitoring mechanisms, at every stage of the supply and distribution of inputs, in order to help plug potential leakages of agriculture inputs.
iii. Capacitation of Agritex & Command Centres: strengthening of Command Agriculture program monitoring through the capacitation of Agritex officers and Command Centre Officers at district and provincial level to enable them to undertake routine monitoring of the program at every stage of the crop production cycle.
iv. Land Utilisation: requirement for beneficiaries of the Land Reform Programme to fully utilise the land and improve on productivity, or risk re-possession of land.

1.2.2. Manufacturing Sector

Growth in manufacturing is estimated at 1% for 2017, with the sector projected to grow by 2.1% in 2018, underpinned by improved agro-processing value chains in foodstuffs, drinks, and ginning, also amid supportive import management measures.

However, the manufacturing sector continued to be plagued by several challenges, chief of which included competition from cheap imports, antiquated equipment and machinery, inadequate power supply, as well as worsening foreign currency shortages and resultant foreign payments delays for key raw materials.

According to the 2017 Manufacturing Sector Survey Report, capacity utilisation in the manufacturing sector declined from 47.4% in 2016 to 45.1% in 2017. Sustained recovery of the sector going forward will require a combination of structural reforms and large-scale investment.

ECONOMIC OVERVIEW (CONTINUED)

1.2.3. Mining Sector

The Government estimates that the mining sector grew by 8.5% in 2017, underpinned by significant output growth for such minerals as diamonds, chrome and coal.

Meanwhile, the country recorded a 17.5% rise in gold delivered to Fidelity Printers and Refiners (FPR) from 21.1 tonnes in 2016 to 24.8 tonnes in 2017, against a target of 25 tonnes for the year. The rise in gold output is mainly attributable to growth in the contribution of small-scale miners. Statistics show that small-scale producers contributed 13.1 tonnes, a 35% rise from 9.7 tonnes in 2016, while the contribution of primary producers remained flat at 11.7 tonnes. Output is targeted at 30 tonnes for the year 2018.

According to the World Platinum Investment Council (WPIC) 4th Quarter 2017 Report, Zimbabwe registered a 9% decrease in refined platinum production, to 445,000 ounces in 2017. The WPIC expects platinum production from Zimbabwe to remain stable in the outlook, at 450,000 ounces in 2018.

The mining sector is projected to grow by 6.1% in 2018, underpinned by modest recovery in international mineral prices for most minerals, including nickel, platinum, chrome and granite. Mineral export receipts of US$2.5 billion are projected for 2018, up from US$2.3 billion in 2017.

1.2.4. Information, Communication and Technology (ICT) Sector

According to the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) Telecommunications Sector Annual Postal and Telecommunications Sector Performance Report for 2017, total mobile phone subscription continued to improve, rising by 5.3%, from 20,561,437 in 2016 to 21,648,805 in 2017. The total number of active mobile telephone subscriptions consequently rose by 9.4%, from 12,878,926 in 2016 to 14,092,104 in 2017.

The mobile penetration rate (active) rose by 7.9 percentage points, from 94.8% in 2016 to 102.7% in 2017, underpinned by the 9.4% growth in active subscribers. During the same period, the internet penetration rate rose by 0.8 percentage points, from 50% in December 2016 to 50.8% in December 2017.

Meanwhile, there was a massive 40.9% increase in the use of Electronic Payment Transactions in value terms, from US$69.208 billion in 2016 to US$97.542 billion in 2017, with Real Time Gross Settlement (RTGS) contributing 63.3% of the total value for 2017. Mobile and internet payments continue to rise in value proportions, with mobile payments rising from constituting 8.4% of payments in 2016 to 18.5% in 2017, while internet payments rose from constituting 3.6% in 2016 to 7.3% in 2017. As a result of cash shortages, ATM and Cash Withdrawals naturally declined significantly in value terms, from 3.3% to 0.4% and from 10.8% to 3.7% respectively, while the usage of Point of Sale (POS) rose, from 4.2% in 2016 to 6.8% in 2017.

In volume terms, mobile payments continued to dominate, despite falling marginally from constituting 77.8% in 2016 to 74.5% in 2017, while POS rose significantly from constituting 13.7% in 2016 to 21.2% in 2017. In volume terms, Electronic Payment Transactions recorded a phenomenal 163.8% rise from 383.9 million in 2016, to 1.013 billion in 2017.

Usage of Electronic Payments is expected to continue to rise in both volume and value terms, as the economy increasingly adopts plastic money usage, in the wake of continued shortages of cash.

ECONOMIC OVERVIEW (CONTINUED)

1.2.5. Tourism

According to the UN World Tourism Organisation (UNWTO) World Tourism Barometer Report for 2017, international tourist arrivals grew by a remarkable 7% in 2017 to reach a total of 1.322 billion. This strong momentum is expected to continue in 2018 at a rate of 4%-5%, well above the sustained and consistent trend of 4% or higher growth since 2010, and represents the strongest results in 7 years. Africa consolidated its 2016 rebound with an 8% increase, and reached a record 62 million international arrivals. North Africa enjoyed a strong recovery with arrivals growing by 13%, while in Sub-Saharan Africa arrivals increased by 5%, while Asia and the Pacific recorded 6% growth, the Middle East 5% and the Americas 3%.

Tourist arrivals in Zimbabwe are estimated to have risen by 12%, from 2.17 million in 2016 to 2.42 million in 2017. Cognisant of the potential of the tourism sector as a foreign currency earner, the Government, in the 2018 National Budget Statement, announced proposals aimed at improving performance of the sector, and these include, inter alia,

i. Strengthening destination marketing: paying special attention to high spending source markets to increase tourism receipts. This also involves improvement of the country's image abroad.
ii. Efforts to improve road and air transport infrastructure, in order to make the country's destinations more accessible.
iii. Improving the ease of movement of tourists within the country. The new administration has significantly reduced the number of police roadblocks on the country's roads, which were hindering the free movement of road users, among them tourists.

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1. Monetary Developments

According to the Reserve Bank of Zimbabwe (RBZ), the annual growth rate of broad money rose from 19.2% in December 2016 to 43.8% in December 2017. As at 31 December 2017, the stock of money stood at US$8.106 billion, from US$5.638 billion in December 2016. Broad money continued to be dominated by deposits that are transitory in nature, which do not support the long-term lending critical for economic growth.

Meanwhile, total bank lending grew by 43.1%, from US$7.481 billion in December 2016 to US$10.703 billion in December 2017, largely driven by a 73.91% expansion in net credit to Government. In comparison, credit to the private sector only rose by 5.8%, from US$3.514 billion in December 2016 to US$3.718 billion in December 2017. The increase in net credit to Government reflected the fiscus' reliance on the banking sector to finance the budget deficit. The continued reliance by the fiscus on domestic borrowing, through Treasury Bill (TB) issuance, is largely responsible for some of the challenges faced by the economy during 2017, particularly the 3 tier pricing distortions: the mismatch between RTGS Balances and physical cash continued.

1.3.2. Inflation

Having gone for more than 2 years in deflation, Zimbabwe's inflation moved into positive territory in February 2017, with the year-on-year rate of inflation being recorded at 0.06%. Inflation continued to rise as the year progressed, peaking at 3.46% in December 2017. Inflation particularly rose from the end of September 2017 to the end of December 2017. A wave of speculative and panic buying gripped the market in the latter half of September 2017, whose lagged effects were reflected in the October 2017 inflation rate, when the year-on-year rate rose by 1.46 percentage points to 2.24%, from 0.78% in September 2017, and the general price level rose by 1.54% on a month-on-month basis between the 2 months.

The continued scarcity of currency (both US Dollars and bond notes) resulted in pricing distortions, with goods prices being quoted differently for US Dollar, bond notes, and electronic purchases, particularly in the informal sector (3-tier pricing system): RTGS balances and bond notes continued to be illegally cross-rated at a discount in relation to the US Dollar. Businesses in need of quick foreign currency for imports were also forced to resort to purchasing forex on the informal market, and this contributed to the rise in inflation.

In the outlook, inflationary pressures are expected to continue, exacerbated by the currency shortages as well as speculative tendencies amongst economic agents.

ECONOMIC OVERVIEW (CONTINUED)

1.3.3. Exchange Rates

Pursuant to the adoption of the multi-currency regime in 2009, the country remains unable to institute any exchange rate management initiatives, with the only intervention that the RBZ has been able to do to-date being the introduction of bond coins intended to improve the availability of 'change' in the absence of small denomination US Dollar units in the domestic trading market, as well as the issue of bond notes as export incentives. In 2017, the US Dollar endured one of its worst performances in more than a decade, weakening against 13 out of the 16 most-traded currencies. The Dollar weakened the most against the Euro (-12.9%), Swedish Krona (-10.5%), South African Rand (-9.6%), the British Pound (-9.1%), and the Botswana Pula (-8.05%). The US Dollar only strengthened against the Argentine Peso (17.1%), the Brazilian Real (1.2%) and the Hong Kong Dollar (0.7%).

A big part of the US Dollar's decline in 2017 was due to the Euro's strength: the Euro zone had its best economic year in a decade, and traders piled on bets that the currency would continue to climb. It is therefore not surprising that the US dollar weakened by 12.9% against the Euro in 2017.

Going forward, the US Dollar is likely to continue to struggle, especially against the Euro, despite the anticipation that the US Federal Reserve will raise interest rates.

1.3.4. Money Market and Interest Rates

Following the resumption of the inter-bank trading and the Central Bank's 'lender of last resort' function, albeit on a relatively lower scale than ideal, activity on the money market continued to improve in 2017, with trade in Treasury Bills (TBs) being the main offering. According to the RBZ in 2017 Government financing through the overdraft at the central bank and the issuance of Treasury Bills and Bonds, rose from US$3.2 billion in 2016 to US$5.2 billion at the end of 2017. The increase of US$2 billion largely arose from securities issued for Government projects which include the financing of grain producers as well as for financing agriculture.

Lending rates to the productive sectors progressively declined from more than 25% per annum in 2015 to 15% per annum in 2016 and to 12% per annum effective 1 April 2017, as enunciated in the January 2017 Monetary Policy Statement.

Going forward, the trade in TBs is likely to continue to boost activity on the money market, but there still remains a need for the Central Bank to be able to perform its lender of last resort function beyond the Africa Export and Import Bank facility.

1.3.5. Equities Market

In 2017, the stock market generally witnessed a massive bull run: between January 2017 and December 2017 market capitalisation rose by a phenomenal 145%, from US$3.904 billion in January 2017 to US$9.581 billion in December 2017.

Both the mainstream industrial and the mining indices rose during the year, with the industrial index adding 137% from 140.24 in January 2017 to 333.02 in December 2017, while the resources index rose by 153% from 56.31 in January 2017 to 142.4 in December 2017.

The bull run on the equities market was however, not being driven by fundamentals: there was no underlying economic activity to go along with the heightened stock market performance. Trade on the stock market was mostly speculative, with investors seeking to preserve value in the wake of inflationary expectations. In fact, at the height of the speculative activity in September to October 2017, the ZSE market capitalisation peaked at US$15 billion, and in November 2017 turnover on the equities market reached a record US$207.5 million.

Towards the end of 2017, with market confidence improving due to the change in political administration, the equities market started to self-correct, and market capitalisation fell from the peak of US$15 billion in October to end the year at US$9.5 billion.

ECONOMIC OVERVIEW (CONTINUED)

1.3.6. Financial Sector

As at 31 December 2017, there were 19 operating banking institutions (13 commercial banks, 5 building societies, and 1 savings bank), as well as 178 registered money lending and credit-only microfinance institutions, 4 deposit-taking microfinance institutions, and 2 development institutions under the supervision of the RBZ. Key risk and performance indicators as report by the RBZ during the year were as follows:

Key Indicators	Dec-16	Jun-17	Sep-17	Dec-17
Total Assets	$8.73bn	$9.65bn	10.26bn	11.25bn
Total Loans	$3.69bn	$3.64bn	$3.73bn	$3.80bn
Net Capital Base	$1.34bn	$1.38bn	$1.43bn	$1.58bn
Total Deposits	$6.51bn	$6.99bn	$7.62bn	$8.48bn
Net Profit	$181.06m	$100.59m	$160.73m	$241.94m
Return on Assets	2.26%	1.26%	1.89%	2.61%
Return on Equity	12.64%	6.80%	11.15%	15.48%
Capital Adequacy Ratio	23.70%	26.89%	26.98%	27.63%
Loans to Deposits	56.64%	52.11%	49.01%	44.81%
Non-Performing Loans Ration	7.87%	7.95%	8.63%	7.08%
Provisions to Adversely Classified Loans	68.51%	126.29%	83.37%	90.26%
Liquidity Ratio	61.91%	66.87%	62.49%	62.62%
Cost to Income Ratio	79.20%	72.50%	77.02%	75.36%

Most notable movements in aggregate balances and ratios were noted in Total Assets (28.9% rise to US$11.25 billion), Net Capital Base (17.9% rise to US$1.58 billion), Total Deposits (30.3% rise to US$8.48 billion), Net Profit (33.6% rise to US$241.94 million), Return on Equity (from 12.64% to 15.48%), and Cost to Income Ratio (from 79.2% to 75.4%).

Despite falling short of the 5% target prescribed by the RBZ by 31 December 2017, the level of non-performing loans (NPLs) continued to decline, falling by 0.8 percentage points from 7.87% as at 31 December 2016 to 7.08% as at 31 December 2017.

In the short-to-medium term, bank deposits are expected to remain short-term, thus transitory in nature, partially reflecting low income levels. Sustained recovery of the banking sector however remains largely premised on the recovery of the country's real sectors.

1.3.7. Public Sector Finance

In 2017, the Zimbabwe Revenue Authority (ZIMRA) surpassed its revenue collection targets in all 4 quarters of the year. Annual gross collections amounted to US$3.978 billion, a 14.9% improvement on the US$3.462 billion collected in 2016.

Net collections, after deducting refunds of US$228.3 million, amounted to US$3.750 billion, representing a 10.29% positive variance on the target of US$3.4 billion. Net revenue collections for the year 2017 improved by 15.5% from the US$3.248 billion collected in the year 2016.

A summary of the revenue performance is illustrated in the following graph:

Source: ZIMRA

Overall, in terms of the revenue mix, the revenue for 2017 comprised Individual Tax [13.1%], Company Tax [19.5%], Net Value Added Tax (VAT) on Local Sales [18.3%], VAT on Imports [10.3%], Net Customs Duty [7.9%], and Excise Duty [18.0%]. Amongst the major revenue heads, the largest improvement was recorded in Company Tax (114.4%), while the Individual Tax head fell considerably (-33.5%) between 2016 and 2017.

ECONOMIC OVERVIEW (CONTINUED)

The summarised performance of the revenue heads is given in the table below:

Performance of Major Revenue Heads 2016/17					
	2016		2017		
Revenue Head	Actual	Share of Total	2017 Actual	Share of Total	% Change y-oy
Individual Tax	736,530,576.49	22.7%	490,011,929.78	13.1%	-33.5%
Company Tax	340,718,146.10	10.5%	730,496,981.71	19.5%	114.4%
Net VAT on Local Sales	601,220,865.49	18.5%	687,083,586.97	18.3%	14.3%
VAT on Imports	358,251,387.14	11.0%	387,923,332.91	10.3%	8.3%
Net Customs Duty	272,385,063.99	8.4%	295,750,282.21	7.9%	8.6%
Excise Duty	640,297,810.52	19.7%	675,897,301.43	18.0%	5.6%
Other	298,596,150.27	9.2%	482,836,584.99	12.9%	61.7%
Grand Total (Net Revenue)	3,248,000,000.00		3,750,000,000.00	100.0%	15.5%

The revenue authority attributes the improvement in revenue collections to concerted effort by ZIMRA "through rigorous revenue enhancement measures, an unwavering stance against corruption and resultant improved compliance by taxpayers".

In the outlook, Government's revenue target is US$5.071 billion, of which US$4.3 billion is expected to be earned from taxes.

1.4 EXTERNAL SECTOR

Over the period January to November 2017, merchandise exports rose by 36.8%, from US$2.54 billion realised in 2016 to US$3,476 million during the corresponding period in 2017. Merchandise imports for the period January to November 2017 at US$4,933 billion, increased by 4.5% from US$4.722 billion realised over the comparative period in 2016. Export performance was mainly driven by increases in gold exports (13.4% rise to US$886 million), flue-cured tobacco (2.8% rise to US$774.8 million), nickel mattes (1,147% to US$436.1 million), nickel ores and concentrates (40% to US$369 million) and ferro-chrome (192.1% to US$279.3 million).

Major export markets were South Africa accounting for US$2.182 billion exports (62.8%), Mozambique at US$365.2 million (10.5%) and United Arab Emirates at US$223.3 million (6.4%).

Meanwhile, the rise in merchandise imports for the period from January to November 2017, was mainly on account of the increase in diesel, electricity and fertilizer imports. Electricity imports for the period stood at US$163.8 million, a 11.9% rise from US$146.4 million in the same period in 2016. However, maize imports for the period under analysis were lower than those recorded in 2016, on the back of a good rainy season in 2017.

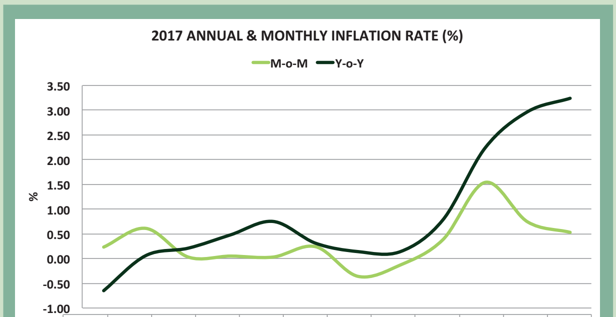
The trade deficit for the period January to November 2017 improved by 33.2%, from US$2.1826 billion in the corresponding period in 2016 to US$1.457 million in 2017.

Going forward, performance of the export sector will continue to be largely determined by, among others, international commodity prices, local production, competitiveness of local products, and US Dollar exchange rate movements, especially against currencies of the country's major trading partners.

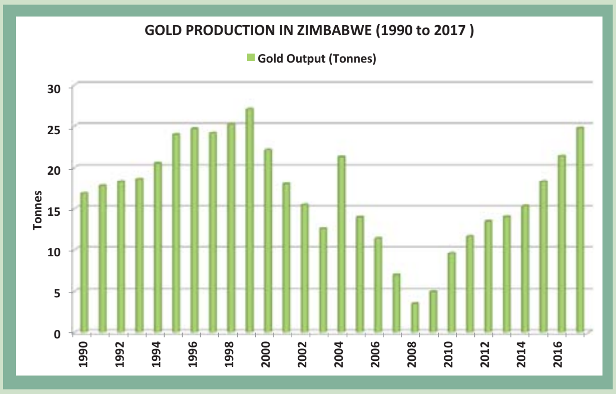
ECONOMIC OUTLOOK

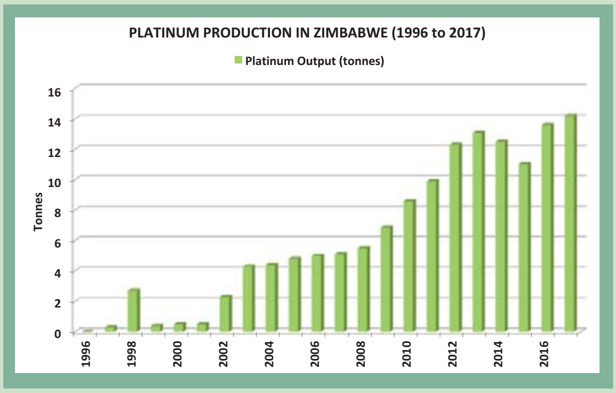
In the outlook, the fortunes of the Zimbabwean economy will hinge mostly on political considerations: with harmonised national elections scheduled for July/August 2018, most economic agents are likely to adopt a "wait-and-see" attitude, i.e. waiting for the outcome of the elections. Importantly, international re-engagement will largely depend on the holding of free, fair and credible elections.

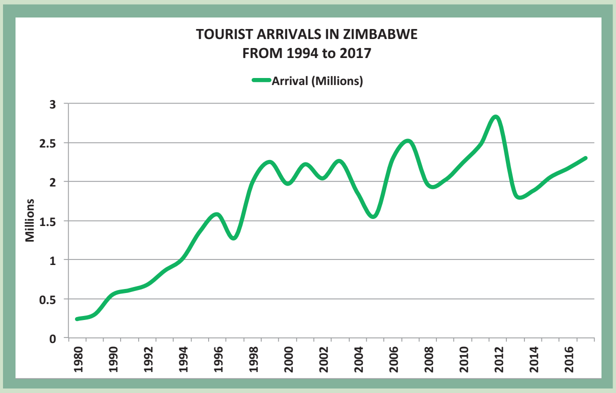
ECONOMIC OVERVIEW (CONTINUED)

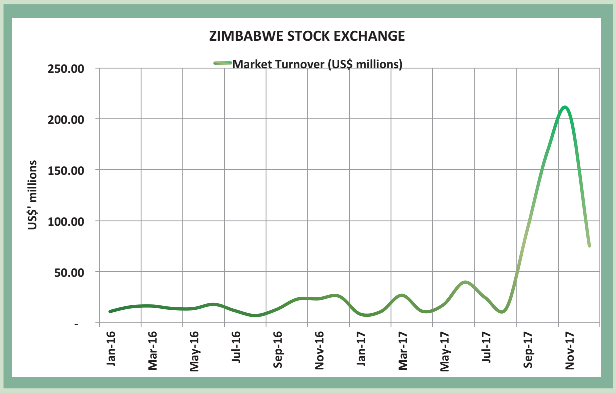


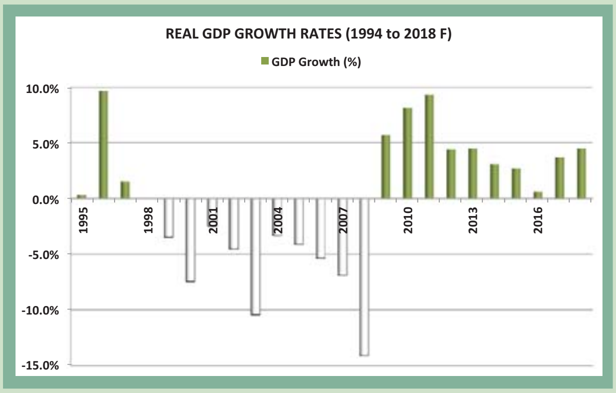
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
M-o-M	0.23	0.61	0.03	0.05	0.03	0.24	-0.36	-0.13	0.38	1.54	0.74	0.53
Y-o-Y	-0.65	0.06	0.21	0.48	0.75	0.31	0.14	0.14	0.78	2.24	2.97	3.24

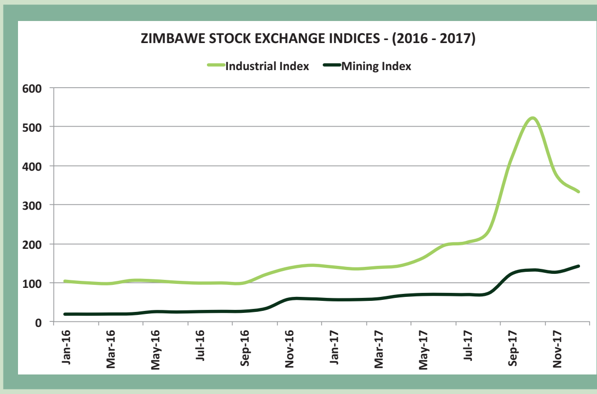


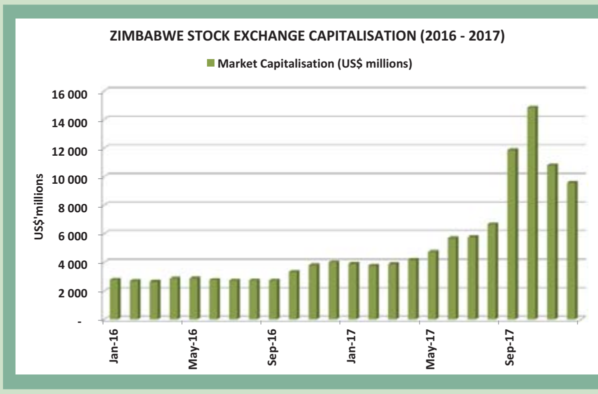




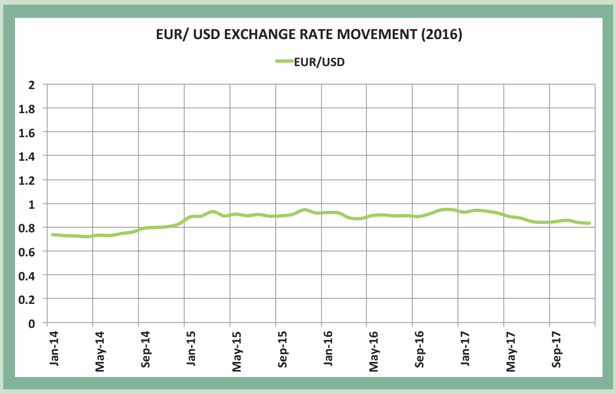


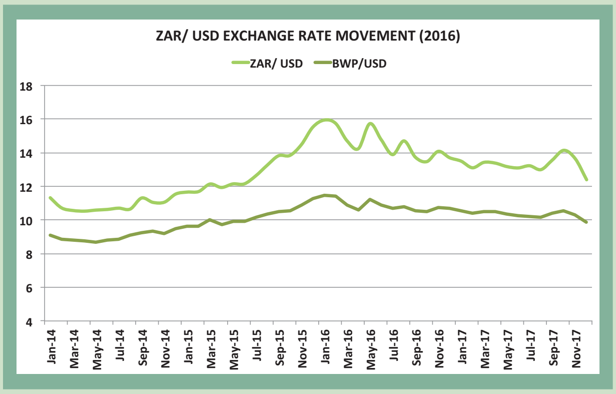


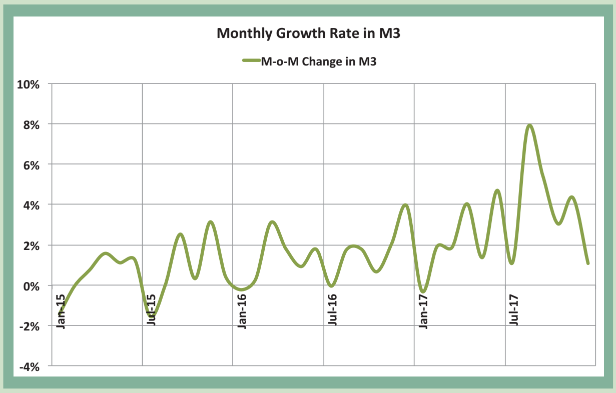


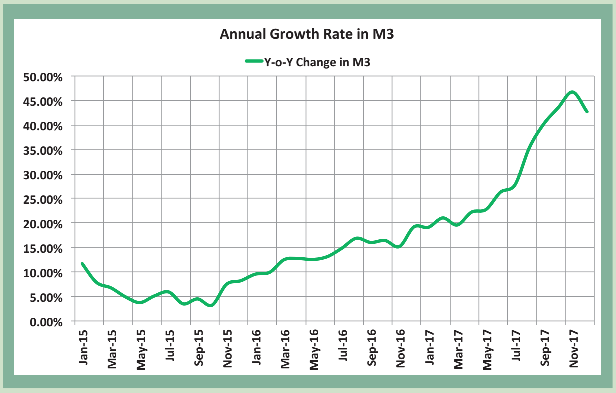


ECONOMIC OVERVIEW (CONTINUED)









FAMILY

#GO BIG

"The future is what you make it. So set yourself up for success and GO BIG with a trusted partner."

LIFE GOES ON

In life, we understand you need to go the distance and prepare for the future, whichever road the journey takes you on. That is why we bridge the gap between your dreams today and the future you are working towards.

CONTENTS

SIX YEAR FINANCIAL REVIEW
For the year ended 31 December 2017

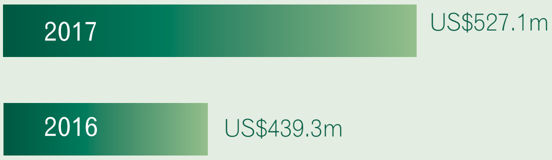
in US$	2017	Restated 2016	Restated 2015	Restated 2014	Restated 2013	Restated 2012
Income Statement						
Total income	72 692 278	65 069 820	57 994 664	57 261 655	59 850 062	68 962 093
Specific and portfolio risk provision	2 995 395	771 021	(2 933 841)	7 702 696	1 734 701	1 750 174
Net income after tax	15 512 773	11 430 911	9 356 462	(9 806 816)	(326 656)	10 859 001
Attributable income	14 414 613	9 947 438	8 986 539	(10 261 724)	2 846 228	8 988 464
Balance Sheet						
Issued share capital	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906	1 751 883
Shareholders' funds	80 010 667	69 146 210	61 109 139	49 083 988	63 562 979	60 879 398
Total equity	101 132 534	89 433 498	80 671 038	68 450 727	77 868 544	78 668 964
Deposits and other accounts	347 105 859	275 272 254	269 697 449	243 818 336	218 615 988	216 727 944
Cash and short term funds	106 816 218	82 193 499	55 789 139	82 586 310	69 160 246	69 726 565
Mortgages and other advances	104 970 338	99 193 658	99 578 547	143 866 639	131 739 306	133 114 967
Risk provisions	7 616 804	6 684 196	9 153 069	3 735 495	4 128 278	6 100 941
Total assets	527 086 509	439 292 796	417 625 071	416 073 425	348 440 727	345 414 590
Statistics						
Number of shares at year end (net of treasury shares)	157 522 902	157 522 902	157 522 902	157 522 902	158 345 488	158 956 499
Weighted average number of shares (000)	157 522 902	157 522 902	157 522 902	157 522 902	158 345 488	158 956 499
Earnings per share (cents)	0.09151	0.06315	0.05705	(0.0590)	0.0160	0.0565
Net book asset value per share (cents)	64.20	56.77	51.21	43.45	49.18	49.49
Share price at year end (cents)	3.6	3.5	3.5	3.00	11.10	8.00
Number of employees at year end	1009	922	923	1 042	1 005	1 029
Ratios (%)						
Return on average shareholders' funds	16.28%	13.44%	12.55%	-13.40%	-0.42%	16.85%
Return on average assets	2.98%	2.32%	2.16%	-2.68%	0.82%	2.92%
Non interest income to total income	80%	73%	76%	79%	67%	69%
Operating expenses to total income	70%	76%	80%	99%	97%	87%

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017

TOTAL ASSETS

UP 20%



TOTAL CAPITAL AND RESERVES

UP 16%

RETURN ON EQUITY

UP 21%

LIQUIDITY RATIO (GROUP)

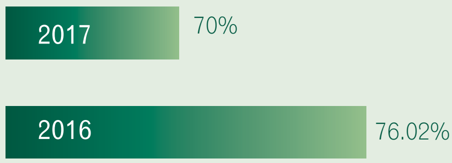
UP 28%

NET PROFIT AFTER TAXATION

UP 36%

LIQUIDITY RATIO (GROUP)

DOWN 6%



REPORT OF THE DIRECTORS

For the year ended 31 December 2017

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2017.

Share capital

The authorised and issued share capital of the Company remained unchanged at 1 000 000 000 shares and 175 190 642 shares, respectively, at a nominal value of US$0.01 each.

On 31 May 2016, the Government of Zimbabwe (GoZ) represented by the Reserve Bank of Zimbabwe concluded an agreement with Transnational Holdings Limited (THL), in terms of which Government agreed to transfer 19.79% of its shareholding, in ZBFH to THL. GoZ retained a 3.71% shareholding having previously held 23.50% of the shareholding in ZBFH.

The agreement between THL and GoZ envisaged that THL would be allocated a further 6.21% shareholding in the Company, being the conversion equivalent of its 15.61% shareholding in Intermarket Holdings Limited (IHL) in terms of an offer made by the Company in 2007 for, then, IHL shareholders to convert their shareholding in IHL to shares in the Company. The allocation of shares equivalent to 6.21% shareholding in the Company was rejected by the shareholders of the Company at the last Annual General Meeting.

Resultantly, THL has not withdrawn its appeal at the Supreme Court of Zimbabwe in which it continues to challenge the acquisition of a controlling interest in IHL by the Company.

The Company is exploring other ways of resolving the matter.

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 December 2017

Directorate

The Board was restructured during the year with the following effect:

		New appointments	Resignations
Prof. C Manyeruke	-	17 March 2017	
Mr S Bvurere	-	17 February 2017	
Mr R Mbaiwa	-	17 March 2017	12 May 2017
Mr N M Vingirai	-		12 May 2017
Mr M Mahachi	-		12 May 2017
Mr O Matizanadzo	-		12 May 2017
Dr J D G Nhavira	-		12 May 2017
Prof. Z Muranda	-		12 May 2017
Mr J Mutevedzi	-	4 August 2017	
Mrs P Chiromo	-	4 August 2017	
Mr A Z Mangwiro	-	4 October 2017	

In terms of Article 61 of the Company's Articles of Association, all directors appointed after the last Annual General Meeting will retire at the forthcoming members' meeting, and being eligible, offer themselves for election.

Financial results

The Group posted a profit for the year amounting to US$15 512 773 (2016: profit of US$11 430 911), with a profit of US$14 414 613 (2016: profit of US$9 947 438) being attributable to the equity holders of the parent company.

The net decrease in equity arising from other comprehensive income amounted to US$1 408 591 (2016: US$294 301).

Total assets as at 31 December 2017 amounted to US$527 086 509 (31 December 2016: US$439 292 796).

Dividends

The Board of directors has recommended a dividend equivalent to US1.83 cents per share for the year ended 31 December 2017.

Going concern

The directors have assessed the sustainability of business operations within the Group and have no reason to believe that the Group will not be a going concern for the foreseeable future. The going concern basis has, therefore, been adopted for the preparation of these financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 December 2017

Auditors

Shareholders will be requested to re-appoint Messrs Deloitte & Touche (Zimbabwe) as the Group's Auditor in 2018 and approve their remuneration for the year ended 31 December 2017.

By order of Board

Professor C Manyeruke (Chairman)	R Mutandagayi (Group Chief Executive)	H R Nharingo (Company Secretary)

Harare

15 February 2018

BOARD OF DIRECTORS

Professor C Manyeruke (Chairman)
Mr R Mutandagayi (Group Chief Executive)
Mr F Kapanje (Group Finance Director)
Mr O Akerele
Mr S Bvurere
Mrs P Chiromo
Mr A Z Mangwiro
Mr J Mutevedzi
Mr P B Nyoni

DIRECTORS' STATEMENT OF RESPONSIBILITY

For the year ended 31 December 2017

The directors of the Group take full responsibility for the preparation and the integrity of the consolidated and separate annual financial statements and financial information included in this report. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant statutory instruments made there under.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In designing and implementing the systems of internal control the directors aim to provide reasonable but not absolute assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate the occurrence of any material breakdown in the functioning of these controls, procedures and systems during the year under review.

All members of the Group Board Audit Committee are non-executive directors. The committee meets regularly with the Group's internal and external auditors and executive management to review accounting, auditing, internal control and financial reporting matters.

The internal and external auditors have unrestricted access to the Audit Committee. The external auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated and separate annual financial statements of ZB Financial Holdings Limited, which appear on pages 57 to 161, were approved by the Board on 15 February 2018.

The Group's independent external auditor, Deloitte & Touche (Zimbabwe), has audited the financial statements and its report is attached to these financial statements on pages 49 to 56.

Preparer of financial statements

These annual financial statements have been prepared under the supervision of F Kapanje and have been audited in terms of section 29(1) of the Companies Act (Chapter 24:03).

F Kapanje CA (Z)
Registered Public Accountant number 2295

Professor C Manyeruke	R Mutandagayi	H R Nharingo
(Chairman)	(Group Chief Executive)	(Company Secretary)

Harare

15 February 2018

EXTRACT FROM THE REPORT OF THE INDEPENDENT ACTUARY

For the year ended 31 December 2017

iAC | INDEPENDENT ACTUARIES & CONSULTANTS

INSURANCE ACT 1987 (Sections 24 and 30)

INSURANCE REGULATIONS, 1989 (Sections 3 and 8)

CERTIFICATE AS TO SOLVENCY OF AN INSURER, WHO CARRIED ON LIFE ASSURANCE BUSINESS ONLY

I hereby certify that, to the best of my knowledge and belief, the value of the assets, including shareholders' funds, in respect of all classes of life assurance business carried on by

ZB LIFE ASSURANCE LIMITED

AT 31 DECEMBER 2017

exceeds the amount of the liabilities in respect of those classes of insurance business by $ 16 680 183.

I wish to note the following:

- The reported excess assets mainly relates to the accounting basis ZB Life Assurance Limited adopted for investments in associate entities.
- I understand that Bond Notes are officially exchangeable on a one-to-one basis with the US dollar.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
13 February 2018

www.iac.co.za

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Gauteng Office | Bridle Close, Woodmead Office Park, Woodmead
TEL | +27 861 333 820
FAX | +27 21 422 4378 | +27 11 656 4171

Independent Actuaries & Consultants (Pty) Ltd | Keymix Investments Group Company
Authorised Financial Services Provider | **REG No.** 2002/000342/07 | **FSP No.** 6832
Directors: W.M. Tshaka (Non-Executive Director) | A. Gani (MD)
Prof C.J.B Greeff | V. Faria | K.S Lewis

EXTRACT FROM THE REPORT OF THE INDEPENDENT ACTUARY (CONTINUED)

For the year ended 31 December 2017

INDEPENDENT ACTUARIES & CONSULTANTS

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2017

I certify that the actuarial liabilities of ZB Life Assurance Limited at 31 December 2017 were as follows:

Type of Business	$
Life Assurance Business	7 677 622
Retirement Annuity Pensions, Group Pensions, Immediate and Deferred Annuities	24 133 705
Total	31 811 327

I understand that Bond Notes are officially exchangeable on a one-to-one basis with the US dollar.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
13 February 2018

www.iac.co.za

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ZB Financial Holdings Limited
For the year ended 31 December 2017

Opinion

We have audited the consolidated and separate financial statements of ZB Financial Holdings Limited and its subsidiaries ("ZBFHL" or "the Group") set out on pages 57 to 161, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant statutory instruments made thereunder.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Public Accountants and Auditors Board ("PAAB") Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code, Parts A and B), together with other ethical requirements that are relevant to our audit of the consolidated financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Classification and valuation of the capitalisation treasury bills

Without qualifying our opinion, we draw your attention to note 7.3 which discusses a capitalisation treasury bills.The Government of Zimbabwe advanced a ten-year $20 million zero-percent interest loan to ZB Financial Holdings Limited by way of treasury bills in 2015. These treasury bills ("capitalization treasury bills") were in turn used to recapitalize the ZBFHL's banking subsidiary, ZB Bank Limited. The Bank issued 20 000 000 shares to ZB Financial Holdings Limited as of that date at a par value of $0.01 per share pursuant to a rights issue.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

For financial reporting purposes, valuation intricacies ensued with respect to initial recognition and the subsequent measurement of the capitalization treasury bills owing to the significant subjective management judgement required in the process due to the following:

a) lack of an active market to use as a reference point from which to draw a market value or a market discount rate for such an instrument; and
b) high level of sensitivity to interest parameters that one could possibly apply in a valuation model resulting in a wide dispersion in the possible fair values.

The following summarises how the matter was addressed in the audit:
In assessing the valuation of the capitalization treasury bills, we performed the following procedures:

- Obtained broad technical accounting guidance issued in prior year by the Institute of Chartered Accountants of Zimbabwe on the classification and valuation of treasury bills in issue, including capitalisation treasury bills, and ensured implementation of this guidance by the Group;
- Interrogated the process employed by the financial institutions affected by the issue by the Government of Zimbabwe of capitalisation treasury bills in determining an appropriate rate by which to discount the capitalisation treasury bills on initial recognition, and tested the assumptions for continued relevance in the current year;
- Recomputed the discounting calculations for the capitalisation treasury bills and compared with management's computations; and
- Reviewed financial statements for adequate disclosure based on the accounting treatment agreed to.

We obtained reasonable assurance that capitalization treasury bills were appropriately accounted for and disclosed in the financial statements.

Key Audit Matters

We summarise below the matters that had the greatest effect on our audit, our key audit procedures and our findings from those procedures in order that the Group's shareholders as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our audit opinion on the Group financial statements.

In addition to the matter described in the "Emphasis of Matter" section above, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters below relate to the audit of the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

Key Audit Matter	How the matter was addressed in the audit
Legal contingencies and related accounting treatment	
Through a series of transactions executed between 2005 and 2006, ZBFHL assumed a controlling interest in Intermarket Holdings Limited ("IHL") Group. Transnational Holdings Limited ("THL"), the former controlling shareholder in IHL, has been contesting the acquisition of IHL by ZBFHL over the years and the matter is outstanding at the Supreme Court. The Board is currently exploring various means to resolve the matter. This resolution framework includes a possible unbundling of the contentious assets. Should this be the preferred route, this could lead to considerations to account for these assets in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5").	In responding to the complexities of the identified matter, we performed the following procedures: • Obtained an understanding of the series of transactions that gave rise to the acquisition of IHL by ZBFHL, then known as Finhold Limited. • Interrogated various options available for consideration by management, the Board and shareholders, for the resolution of the matter. • Obtained lawyers' confirmations to assess the completeness of information provided in respect of this matter. • Reviewed and evaluated the possibility and the relevance of IFRS 5 to the potential outcomes of the options that management have to resolve the matter. • Reviewed the financial statements for appropriate presentation and disclosure. We found that as at 31 December 2017, the directors employed the correct basis to account for IHL entities, that is, to fully consolidate the units. As of this date, the requirements of IFRS 5 had not yet triggered. The related disclosures in note 33.3 were assessed to be detailed and useful.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition and the automated nature of interest calculations	
International Standards on Auditing "ISA" 240 requires that it be presumed that there are risks of material misstatement due to fraud related to revenue recognition. The standard further requires that these risks be treated as significant. The Group suspends interest on non-performing loans. Given that judgement is required in determining whether it is probable that interest on impaired financial instruments will be received by the Group, the treatment of interest on impaired financial instruments was determined to be a key audit matter. In addition, income from interest enhancing mechanisms should be amortized over the tenure of the loan facilities and, considering the quantum of loans issued and the inherent risk associated with automation of interest calculations, the accounting for these revenue streams by the Group has also been identified as a key audit matter. The revenue recognition policy is disclosed in note 3.3 of the annual report and the revenue balance (made up of interest and non-interest income) is disclosed in Notes 24 and 26.	Our audit procedures incorporated a combination of tests of the Group's internal control around revenue recognition and the use of information technology specialists in the re-computation of interest and non-interest income. Our procedures included the following: • Making enquiries of those charged with governance regarding the policies in place in recognising revenues. • Obtaining an understanding of the internal control environment. This involved obtaining evidence about the design and implementation and the operating effectiveness of the controls around revenue. • Performing detailed substantive testing of journal entries processed around revenue to ensure that these journals were appropriately authorised, complete and accurate. • Our information technology specialists evaluated access controls, controls around system software acquisition, system change and maintenance, application system acquisition, system development and maintenance, and program change controls. • Our data analytic specialists performed re-computations of interest and non-interest income and compared the results to recorded amounts. • We confirmed that the related interest enhancing mechanisms, such as loan origination or establishment fees were appropriately recognised over the tenure of the facility from which they arose. We obtained reasonable assurance that revenue was appropriately accounted for and disclosed in the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances	
The impairment provision against loans and advances at 31 December 2017 amounts to US$7.62 million. In deriving this balance, significant judgement was required by the Directors in establishing adequate impairment provisions against loans and advances, which are determined with reference to the repayment capacity of the obligor, quality and condition of security offered as part of the loan arrangement, customer payment history and financial position of the customer. Because of the significance of the impairment balance, and the fact that it is subject to significant estimation and subjective judgement, we have considered impairment of loans and advances to be a key audit matter. The impairment of loans and advances has been disclosed in note 8.5.	a) IAS 39 provisions In evaluating the adequacy of impairment provisions against loans and advances, we reviewed the calculations of present value of future cash flows prepared by management for specific impairment in line with guidance from IAS 39 provisioning, with a particular focus on the timing of cash flows, discount rates used and support for projected cash flows. We employed various audit procedures, including the following: • Obtained evidence in respect of key controls over the models and manual processes for impairment events identification and collateral valuation. • Tested the reasonableness of future cash flows expected from customers. • Tested the reasonableness of discount rates used in the calculation of present values of future cash flows relating to customers' forecasts or asset disposals in potential liquidation cases. • Recalculated the present value of future cash flows from customers and compared with management's calculation. • Tested the valuation of security pledged by customers with reference to the market values determined through comparison with market transaction. • Assessed the adequacy of the provisions for potential loss in the good loan book by determining the probability of default through trend analysis around downgrading of loans and advances. • Recalculated the impairment provision raised and compared it with amounts recorded by management. • Obtained audit evidence of management judgements with particular focus on the consistency of the methodology including challenging these assumptions and processes based on our industry knowledge and experience. • Assessed key loan provisioning assumptions against industry standards and historical data.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances	
	b) Regulatory provisions • In evaluating the minimum regulatory impairment provisions, we selected material loans and advances and tested the accuracy of the classification of these into various credit quality grades as prescribed by the Reserve Bank of Zimbabwe (RBZ) regulatory provisioning guidelines. • We performed independent recalculations of the impairment provisions for these respective credit quality grades and compared them with management's estimates. • We reviewed the consistency of rates used to determine the regulatory impairment provision to the RBZ Supervisory Rating System (SRS). The individual loans and advances for portfolio impairment were classified in line with the RBZ's SRS framework. We found that the directors applied sound judgement in determining impairment for loans and advances. The disclosures thereof were assessed to be adequate.
Adequacy of insurance provisions – incurred but not reported (IBNR) provision and life assurance liabilities	
As disclosed in notes 17 and 21, the following were insurance expense and claim provisions recognized by the Group at 31 December 2017: • incurred but not yet reported (IBNR) provisions – US$1.6 million; • life assurance liabilities – US$31.8 million; The determination of these insurance provisions is an area that makes use of significant qualitative and quantitative judgements and estimates in respect of insurance products offered by the Group. Because of the inherent susceptibility of these insurance provisions to estimation uncertainty, we have considered the insurance provisions to be a key audit matter.	In responding to the complexities of the identified matter, we performed the following: • Enquired of those charged with governance regarding the policies in place for the determination of the provisions and inspected the policies for consistency with prior years. • Where applicable, we performed retrospective reviews by comparing recorded provisions against actual claims incurred. • Engaged our actuarial and insurance solution experts to perform the following: - Critically interrogate the methodology used by the Group's actuaries in the assessment of the provisions; - Assess and challenge the appropriateness of key assumptions used in the determination of the provisions; - Review the inputs used in the models against the source data for consistency and relevance; and - Assess the computations against guidance from the Insurance and Pensions Commission (IPEC). • Where applicable, subjected the key assumptions used to sensitivity analysis. We considered the assumptions applied by the directors to be appropriate. The insurance provisions were considered adequate, in the circumstances.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

Other Information

The directors are responsible for the other information which includes the Report of the Directors and the Directors' Statement of Responsibility, incorporated as part of the statutory financial statements as well as other reports contained in the Annual Report. The other reports in the Annual Report comprise the Chairman's Statement, Group Chief Executive's report, Economic Overview, Report to Directors, other explanatory information (excluding audited amounts and schedules) contained in the risk management and the corporate governance report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 that we 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 financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant statutory instruments made thereunder; and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group'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 Group 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 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2017

- 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 Group'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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 communicated with the Audit Committee 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 identified during our audit.

We also provided the Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the 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.

The engagement partner on the audit resulting in this independent auditor's report is Brian Mabiza.

Report on legal and regulatory requirements

In our opinion, these financial statements have been prepared in accordance with the disclosure requirements of the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant statutory instruments made thereunder.

Deloitte & Touche

Deloitte & Touche
Per: Brian Mabiza
Partner
(PAAB Practice Certificate Number 0447)
Deloitte & Touche Chartered Accountants (Zimbabwe)
15 February 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		31 Dec 2017 US$	31 Dec 2016 US$
ASSETS			
Cash and cash equivalents	5	106 816 218	82 193 499
Money market investments	6	3 538 998	5 519 513
Treasury bills	7	155 945 191	118 633 706
Mortgages and other advances	8	104 970 338	99 193 658
Investment securities	9	36 713 113	20 398 857
Investments in associates	10.1	35 492 476	35 231 971
Inventories, trade and other receivables	11	14 184 717	9 800 224
Investment properties	12	29 971 963	26 728 848
Property and equipment	13	32 637 910	32 257 043
Intangible assets	14	6 815 585	8 197 577
Non current assets held for sale	15	-	1 137 900
Total assets		527 086 509	439 292 796
LIABILITIES			
Deposits and other accounts	16	347 105 859	275 272 254
Trade and other payables	17	30 134 215	30 474 121
Current tax liabilities	18	23 217	132 109
Deferred tax liabilities	19	2 936 466	2 194 131
Long term borrowings	20	13 942 891	13 536 787
Life assurance funds	21	31 811 327	28 249 896
Total liabilities		425 953 975	349 859 298
EQUITY			
Share capital	22.1	1 751 906	1 751 906
Share premium	22.2	27 081 696	27 081 696
Other components of equity	22.3	20 290 273	21 903 322
Retained income	22.4	30 886 792	18 409 286
Attributable to equity holders of parent		80 010 667	69 146 210
Non-controlling interest	22.5	21 121 867	20 287 288
Total equity		101 132 534	89 433 498
Total equity and liabilities		527 086 509	439 292 796

Approved by the Board and signed on its behalf by:

Professor C Manyeruke
(Chairman)

R Mutandagayi
(Group Chief Executive)

H R Nharingo
(Group Secretary)

15 February 2018

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		31 Dec 2017 US$	31 Dec 2016 US$
ASSETS			
Cash and cash equivalents	5	602 505	1 237 506
Investment securities	9	6 503 226	3 904 486
Investments in associates	10.1	1 910 241	1 988 245
Investments in subsidiaries	10.2	94 489 642	85 906 196
Inventories, trade and other receivables	11	6 170 832	6 224 591
Investment properties	12	373 000	344 000
Property and equipment	13	465 259	520 826
Intangible assets	14	47 306	68 740
Deferred tax asset	19	472 857	1 625 949
Total assets		111 034 868	101 820 539
LIABILITIES			
Deposits and other accounts	16	1 526 326	2 770 456
Trade and other payables	17	17 429 745	18 241 901
Long term borrowings	20	13 942 891	13 536 787
Total liabilities		32 898 962	34 549 144
EQUITY			
Share capital	22.1	1 751 906	1 751 906
Share premium	22.2	27 081 696	27 081 696
Retained income	22.4	49 302 304	38 437 793
Total equity		78 135 906	67 271 395
Total equity and liabilities		111 034 868	101 820 539

Approved by the Board and signed on its behalf by:

Professor C Manyeruke (Chairman)	R Mutandagayi (Group Chief Executive)	H R Nharingo (Group Secretary)

15 February 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

		COMPANY		GROUP	
	Notes	2017 US$	2016 US$	2017 US$	2016 US$
Interest and related income	24.1	-	-	24 819 751	27 586 426
Interest and related expenses	24.2	-	-	(7 012 669)	(10 850 195)
Net interest and related income		-	-	17 807 082	16 736 231
(Loan impairment charges) / net recoveries	8.6	-	-	(2 995 395)	771 021
Net income from lending activities		-	-	14 811 687	17 507 252
Gross insurance premium income	25.1	-	-	30 797 523	29 849 786
Total insurance expenses	25.2	-	-	(21 213 596)	(21 054 138)
Net insurance premium income		-	-	9 583 927	8 795 648
Other operating income	26	12 241 154	10 383 221	45 567 035	38 527 107
Fair value adjustments	27	9 355 366	8 692 382	2 729 629	239 813
Total income		21 596 520	19 075 603	72 692 278	65 069 820
Operating expenses	28	(7 427 513)	(8 688 545)	(50 937 631)	(49 464 015)
Profit from ordinary activities		14 169 007	10 387 058	21 754 647	15 605 805
Movement in life assurance funds	21	-	-	(3 561 431)	(477 350)
Share of associate companies' (losses) / profit net of tax	10.1	(169 151)	330 108	656 922	(2 302 919)
Profit before taxation		13 999 856	10 717 166	18 850 138	12 825 536
Income tax expense	29	(1 153 092)	(538 536)	(3 337 365)	(1 394 625)
Net profit for the year		12 846 764	10 178 630	15 512 773	11 430 911
Profit attributable to:					
Owners of parent		12 846 764	10 178 630	14 414 613	9 947 438
Non-controlling interests		-	-	1 098 160	1 483 473
Profit for the year		12 846 764	10 178 630	15 512 773	11 430 911

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2017

		COMPANY		GROUP	
	Notes	2017 US$	2016 US$	2017 US$	2016 US$
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains / (losses) on property revaluation	22.3.2	-	-	217 483	(509 193)
Fair value adjustment on available for sale financial assets		-	-	(2 150 649)	256 979
Income tax relating to components of other comprehensive income	22.6	-	-	524 575	(42 087)
Other comprehensive loss for the year net of tax		-	-	(1 408 591)	(294 301)
Total comprehensive income for the year		12 846 764	10 178 630	14 104 182	11 136 610
Total comprehensive income attributable to:					
Owners of parent		12 846 764	10 178 630	12 959 814	10 178 632
Non-controlling interests		-	-	1 144 368	957 978
Total comprehensive income for the year		12 846 764	10 178 630	14 104 182	11 136 610
Earnings per share					
Basic and fully diluted earnings per share (US cents)	30	8.16	6.46	9.15	6.32

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital US$	Share premium US$	General reserve US$	Property and equipment revaluation reserve US$	Available for sale financial assets US$	Retained income US$	Attributable to equity holders of parent US$	Non controlling interests US$	Total US$
Balance at 1 January 2016	1 751 906	27 081 696	10 756 654	13 498 927	3 814 397	4 205 559	61 109 139	19 561 899	80 671 038
Changes in equity for 2016									
Profit or loss									
Profit for the year	-	-	-	-	-	9 947 438	9 947 438	1 483 473	11 430 911
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	(475 842)	-	-	(475 842)	(9 266)	(485 108)
Fair value adjustment on available for sale financial assets	-	-	-	-	190 807	-	190 807	-	190 807
Transactions with owners of the parent									
Dividends paid	-	-	-	-	-	(2 141 561)	(2 141 561)	(232 589)	(2 374 150)
Other movements									
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(5 146 082)	-	-	5 146 082	-	-	-
Transfer to retained income	-	-	-	(735 539)	-	1 251 768	516 229	(516 229)	-
Balance at 31 December 2016	1 751 906	27 081 696	5 610 572	12 287 546	4 005 204	18 409 286	69 146 210	20 287 288	89 433 498
Changes in equity for 2017									
Profit or loss									
Profit for the year	-	-	-	-	-	14 414 613	14 414 613	1 098 160	15 512 773
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	142 058	-	-	142 058	46 208	188 266
Fair value gain on available for sale financial assets	-	-	-	-	(1 596 857)	-	(1 596 857)	-	(1 596 857)
Transactions with owners of the parent									
Dividends paid	-	-	-	-	-	(1 982 253)	(1 982 253)	(422 893)	(2 405 146)
Other movements									
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(267 827)	-	-	259 630	(8 197)	8 197	-
Transfer to retained income	-	-	543 159	(433 582)	-	(214 484)	(104 907)	104 907	-
Balance at 31 December 2017	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	30 886 792	80 010 667	2 121 867	101 132 534

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Ordinary shares US$	Share premium US$	Accumulated profit US$	Total US$
Balance at 1 January 2016	1 751 906	27 081 696	30 400 724	59 234 326
Changes in equity for 2016				
Profit or loss				
Profit for the year	-	-	10 178 630	10 178 630
Transactions with owners of the parent				
Dividends paid	-	-	(2 141 561)	(2 141 561)
Balance at 31 December 2016	1 751 906	27 081 696	38 437 793	67 271 395
Changes in equity for 2017:				
Profit or loss				
Profit for the year	-	-	12 846 764	12 846 764
Transactions with owners of the parent				
Dividends paid	-	-	(1 982 253)	(1 982 253)
Balance at 31 December 2017	1 751 906	27 081 696	49 302 304	78 135 906

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Notes	COMPANY 31 Dec 2017 US$	COMPANY 31 Dec 2016 US$	GROUP 31 Dec 2017 US$	GROUP 31 Dec 2016 US$
Cash (used in) / generated from operating activities	31	(827 499)	(8 044 923)	26 881 876	18 819 310
Interest and related income received		-	-	24 819 751	27 586 426
Dividends received		4 189 334	1 774 131	3 798 703	684 174
Interest and related expense paid		-	-	(7 012 669)	(10 850 195)
Income tax paid		-	-	(2 179 347)	(1 116 000)
Net cash generated from / (used in) operating activities		3 361 835	(6 270 792)	46 308 314	35 123 715
Cash flows from investing activities					
Purchase of investment property		-	-	(2 387 587)	(922 713)
Purchase of intangible assets		-	-	(1 070 337)	(1 502 848)
Purchase of property and equipment		(69 962)	(33 168)	(2 694 372)	(1 912 493)
Proceeds on disposal of property and equipment		2 346	-	97 838	50 564
Purchase of investment securities		(3 100 000)	(305 135)	(18 002 397)	(2 686 810)
Proceeds on disposal of investment securities		1 244 180	12 277 071	3 896 086	1 910 093
Proceeds on disposal of embargoed funds		-	-	1 434 902	-
Additions of investment in associate		(91 147)	(832 998)	(91 147)	(832 998)
Net cash (used in) / generated from investing activities		(2 014 583)	11 105 770	(18 817 014)	(5 897 205)
Cash flows from financing activities					
Dividends paid		(1 982 253)	(2 141 561)	(2 405 146)	(2 374 150)
Net cash used in financing activities		(1 982 253)	(2 141 561)	(2 405 146)	(2 374 150)
Net (decrease) / increase in cash and cash equivalents		(635 001)	2 693 417	25 086 154	26 852 360
Cash and cash equivalents at beginning of year		1 237 506	(1 455 911)	82 193 499	55 789 139
Effects of exchange rates fluctuating on cash and cash equivalents		-	-	(463 435)	(448 000)
Cash and cash equivalents at end of year	5	602 505	1 237 506	106 816 218	82 193 499
Cash and cash equivalents comprise:					
Cash		602 505	1 237 506	5 486 823	5 557 499
Local bank accounts		-	-	99 365 120	74 143 738
Foreign bank accounts		-	-	1 964 275	2 492 262
	5	602 505	1 237 506	106 816 218	82 193 499

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. NATURE OF BUSINESS

ZB Financial Holdings Limited, "the Company", which is incorporated and domiciled in Zimbabwe, and is listed on the Zimbabwe Stock Exchange, acts as a holding company for a group of companies whose business is the provision of commercial banking, merchant banking, home mortgages, insurance and other financial services (together, "the Group"). The address of its registered office and principal place of business is 21 Natal Road Avondale, Harare, Zimbabwe.

The Company is registered under registration number 1278/89.

2. CHANGES IN ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

2.1 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1.1 New and revised IFRS affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.1.2.

New standard	Effective date	Major requirements
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 Jan 2017	The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves. Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities. The amendments apply retrospectively.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements

New standard	Effective date	Major requirements
Amendments to IFRS 7 Statement of Cash Flows: Disclosure Initiative	1 Jan 2017	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.
Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017	The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively, with certain transition relief. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.3 New and revised IFRSs in issue but not yet effective

New standard	Effective date	Major requirements
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.
IFRS 15 *Revenue from Contracts with Customers*	1 Jan 2018	The new revenue standard issued on 28 May 2014 introduces a new revenue recognition model for contracts with customers in addition to requiring new disclosures. The Group does not expect significant deviations from how it currently accounts for revenue.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 16 Leases	1 Jan 2019	IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The adoption of the standard is expected to result in an increase in total assets and total liabilities in respect of the capitalisation of the right of use for assets under operating leased reported in note 34.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 9 *Financial Instruments*	1 Jan 2018	IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. Key requirements of IFRS 9: • All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 9 *Financial Instruments (continued)*	1 Jan 2018	• With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. • In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. • The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. • The adoption of IFRS 9 is likely to result in an increase in loan impairments of $7.6 million and a net reduction of $5.9 million on capital based on draft computations done as at 31 December 2017.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.3 New and revised IFRSs in issue but not yet effective (continued)

New standard	Effective date	Major requirements
IFRS 2: Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	1 Jan 2018	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 Group currently does not have any share-based payment transactions and therefore does not anticipate any material impact on the reported financial statements.
Transfers of Investment Property — Amendments to IAS 40	1 Jan 2018	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 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. 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.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.2 Critical accounting judgements and key sources of estimation uncertainty

2.2.1 Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with under note 2.2.2 below):

- That the Group will continue operating as a going-concern into the future, being able to generate or access resources to meet both regulatory and operational capital requirements.

- The directors have assessed the Group's total asset holdings relative to its cash-flow requirements and the practicality of trading in those assets and have confirmed the Group's constructive intention and ability to extract value from the assets on a "best use" basis on all non-monetary assets and a "best case" basis in the case of monetary assets. The total portfolio of non-monetary assets amounted to US$155 815 764 (2016: US$133 752 420) whilst non-cash monetary assets amounted to US$371 270 745 (2016: US$305 540 376).

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

2.2.2.1 Fair value for unquoted investments

Subject to contractual provisions, the fair value of unquoted investments is established with reference to the net assets value and the earnings capacity of the underlying business. Valuation on the earnings basis is calculated as the sustainable earnings for the entity multiplied by a modified Price Earnings Ratio derived from comparable quoted company with similar operations in a similar environment.

Market distortions affect the measurement of the net asset values and the projection of the future earnings capacity of the businesses. In all material instances, the valuation basis has been consistently applied over the last two years.

The valuation of investments in subsidiary companies carried in the separate financial statements of the holding company has been based on the net asset values of the investee companies.

2.2.2.2 Fair value adjustments for financial liabilities

The value of financial liabilities carried at amortised cost has been approximated as the transaction cost due to lack of an active market for comparable instruments.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.2.2.3 Valuation of treasury bills used for the recapitalisation of the Bank

The treasury bills were issued for the capitalisation of the Bank against a long term loan at the Holding Company. The bills carry a coupon of 1% and mature in 2025. The bills and the corresponding loan have been accounted for at amortised cost with a fair value having been estimated at transaction date. Determination of fair value of the instruments is highly sensitive to the level of discount rate applied when a Discounted Cash Flow (DCF) valuation method is used (see note 7.3).

2.2.2.4 Valuation of property and equipment and investment properties

In the current year properties were revalued as at 31 December 2017 on the basis of a valuation done by Edinview Property Group (EPG Global) (2016 – EPG Global) who are independent valuers not related to the Group. EPG Global is a member of the Royal Institute of Chartered Surveyors (RICS) and possesses appropriate qualifications and recent experience in the valuation of similar assets. The valuation, which conforms to RICS Appraisal and Manual was arrived at by reference to market evidence of transactions for similar assets at the time of valuation after application of the following broad methodology.

- The **Investment Method** was applied on all income producing properties. Market capitalization rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market.

- The **Direct Comparison Method** was applied on all residential properties, including marine equipment. EPG Global identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.

- Rental and investment yield assumptions where as follows:

	2017		2016	
	Average rentals per square meter	Average investment yield	Average rentals per square meter	Average investment yield
Office	US$4.00 - US$6.00	8% - 11%	US$5.00 - US$6.00	8% - 11%
Retail	US$7.00 - US$8.50	8% - 10%	US$7.00 - US$8.00	8% - 10%
Industrial	US$1.50 - US$4.00	12% - 15%	US$2.50 - US$4.00	12% - 15%

- The **Residual Value Method** was used for the Group's investment in a large undeveloped freehold property. Residual Value is determined from deducting imputed project costs and an allowance for a developer's profit from the Gross Realization Value of the presumed alternative best use of the property.

  In the case of the Group's 60% share in a substantial peri-urban property measuring 598 hectares, it was assumed that the best alternative use for the land is development for residential settlement on a mixed use basis.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.2.2.4 Valuation of property and equipment and investment properties (continued)

Other general assumptions made were as follows:-

	31 Dec 2017 US$	31 Dec 2016 US$
Land selling price per square meter after development	US$20.00 to US$35.00	US$20.00 to US$35.00
Cost of servicing land per square meter	US$10.00 to US$12.00	US$10.00 to US$12.00
Imputed finance cost during development term	12%	12%
Imputed developer's profit	20%	20%

The property market has generally been unstable and characterised by low volumes of recorded transactions thus affecting the development of valuation assumptions.

The financial effect of the revaluation exercise is indicated below:

	31 Dec 2017 US$	31 Dec 2016 US$
Fair value adjustment on investment properties (note 12)	(282 372)	(813 052)
Fair value adjustment on investment property held for sale (note 15)	-	(162 100)
Revaluation adjustment on property and equipment	217 483	(509 193)
Total decrease in property values	(64 889)	(1 484 345)

2.2.2.5 Useful lives and residual values of property and equipment

As indicated in note 3.8, depreciation is provided on qualifying property and equipment over the useful life of the asset in order to progressively write the asset down to its residual value. The useful lives of the assets are reviewed on an annual basis. In the current year, a review of the useful lives was carried out and the directors are of the view that for all asset categories, there were no material developments during the year and up to the reporting date, requiring the shortening or extension of the previously assessed useful lives.

The residual values were assessed through comparison of prices of new and aged assets on a sample basis for each asset category to give an indicative recovery rate. A nil residual value has been ascribed to assets known to have limited resell potential, such as custom-specific partitioning, carpeting, software and certain components of hardware.

The maximum useful lives were determined as follows:

	31 Dec 2017	31 Dec 2016
Freehold properties	33 years	33 years
Leasehold improvements	15 years	15 years
Motor vehicles and mobile agencies	4 years	4 years
Equipment, furniture and fittings	10 years	10 years
Computer equipment	3 years	3 years

The financial effect of the aforementioned estimates on assets is expressed in note 13 as the charge for depreciation in the current year.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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2.2.2.6 Estimation of incurred but not reported (IBNR) insurance claims

In terms of accounting policy 3.19.1, the Group makes full provision for the estimated cost of all claims incurred at the reporting date. A liability reserve amount is set aside for potential claims incurred by the reporting date but not yet reported. The determination of the level of the liability reserve is based on the claims payment profile established over past periods. The estimated balance of the IBNR liability reserve at the date of the statement of financial position amounted to US$1 588 773 (2016: US$1 861 481).

2.2.2.7 Valuation of the life fund

Actuarial liabilities in respect of life assurance policies are subject to annual assessment by an independent actuary. The liabilities are assessed using a Gross Premium Valuation (GPV) method which takes full account of all the future expected cash flows. At each statement of financial position date, tests are performed to ensure the adequacy of the insurance contract liabilities net of the related intangible present value of acquired in-force business assets.

Calculation of the liability requires a number of demographic and financial assumptions to be made. Whilst in the short-term financial parameters may exhibit a high level of volatility, valuations have been based on long-term estimates adjusted for a degree of prudence. The key assumptions used are as follows:

	Factor	
	31 Dec 2017	31 Dec 2016
Key assumption area		
Valuation discount rates (taxed)	6%	6%
Valuation discount rates (untaxed)	6%	6%
Expense inflation rate	2.5%	2.5%
Expected real yield rate	3.5%	3.5%

Actuarial liabilities are shown in the Group's statement of financial position as "life assurance funds" and the balance as at 31 December 2017 is made up as follows:

	31 Dec 2017 US$	31 Dec 2016 US$
Value of total liability	24 133 705	22 078 262
Distribution of surplus in the fund	7 677 622	6 171 634
	31 811 327	28 249 896

Movements in the life fund are recognised in profit or loss.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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2.2.2.8 Portfolio loan loss provision

The portfolio loan loss provision relates to the inherent risk of losses, which although not separately identified, are known to be present in any loan portfolio. In terms of accounting policy 3.4.1.5, objective evidence of impairment for a portfolio of receivables includes the Group's prior loss experience, an increase in the number of delayed payments in the portfolio past the average credit period, the size and diversity of the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The portfolio loan loss provision at the date of the statement of financial position amounted to US$2 115 488 (2016: US$769 890) (Note 8.5).

2.2.2.9 Assessment of control in investments

Assessment of control on investee companies in terms of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates is inherently a subjective process. The guidance provided in the standard is not always prescriptive particularly in complex situations where assessment tends to be a result of persuasive arguments. The Group has assessed the level of control in its investee companies resulting in some investments being classified as associate companies and others as subsidiary companies as described more fully in note 10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group, which are set out below, have been consistently followed in all material respects and are in accordance with International Financial Reporting Standards.

Where reference is made to "the Group" in the accounting policies, it should be interpreted as referring to the Company where the context requires, unless otherwise noted.

3.1 Basis of preparation

3.1.1 Reporting currency

The financial statements of the Group and the Company are presented in United States dollars (US$), which is the Group's functional currency. All information presented has been rounded to the nearest dollar.

3.1.2 Statement of compliance

The Group and company annual financial statements as at and for the year ended 31 December 2017 have been prepared under the supervision of F Kapanje CA(Z), Group Finance Director of ZB Financial Holdings Limited.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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The financial statements are based on accounting records maintained under the historical cost convention as modified by the revaluation of property and equipment and certain financial instruments and have been prepared in accordance with International Financial Reporting Standards (IFRSs), promulgated by the International Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB, the International Financial Reporting Interpretations Committee (IFRIC) interpretations, and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Society Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant regulations made thereunder.

The consolidated and separate financial statements were authorised for issue by the board of directors on 15 February 2018.

3.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiary companies are included in the separate financial statements of the Holding company at their net assets value which is considered to be an estimate of fair value.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of the consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Where the fair values of the identifiable net assets acquired exceed the consideration, a bargain purchase (negative goodwill) is recognised in profit or loss in the period of acquisition. Transaction costs are expensed, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Non-controlling interests (NCI)

Non-controlling interests are measured at their proportionate share of the fair values of the assets and liabilities recognised.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Foreign entities which are subsidiaries of the Group are consolidated in the financial statements using exchange rates applicable at the reporting date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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Transactions eliminated on consolidation

Intra-Group transactions, balances, and unrealised income and expenses are eliminated on consolidation.

3.2.1 Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less impairment losses.

Goodwill is reviewed for impairment at least annually in December. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.2.2 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.2.3 Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

Interests in associates are accounted for using the equity method of accounting except when the investment has been classified as held for sale upon which it is measured at the lower of carrying amount and fair value less costs to sell. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of associates, until the date on which significant influence ceases. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Investments in associates in the Company's financial statements are measured at fair value.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3.2.4 Notes to the consolidated financial statements

The notes to the financial statements are in relation to the Group unless otherwise specifically indicated in the note.

3.3 Revenue recognition

3.3.1 Net interest income

3.3.1.1 Interest income

Interest income arises from the Group's lending and money market activities.

The Group recognises interest income in profit or loss using the effective interest method. From an operational perspective, it suspends the accrual of contractual interest on the non-recoverable portion of an advance, when the recovery of the advance is considered doubtful.

3.3.1.2 Interest expense

Interest expenses arise from the Group's funding and money market activities.

The Group recognises interest expense in profit or loss using the effective interest method.

3.3.1.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3.3.2 Trading income

The Group includes profits, losses and fair value adjustments on held for trading financial instruments both realised and unrealised, in income as earned, when the risks and rewards of ownership have passed.

3.3.3 Fees and commission income

Fees and commission income that are an integral part to the effective rate on a financial asset are included in the measurement of the effective interest rate.

Other fees and commission income, including account service fees, are recognised as the related services are performed.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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Commission income on acceptances and bills is credited to income over the lives of the relevant instruments on a time proportionate basis.

3.3.4 Premiums

In respect of life and pension assurance services:-

Premium income in respect of individual life policies is recognised as income when received, as failure to pay a premium will result in a lapse of the policy. Income on insurance contracts is shown gross of reinsurance premium. Group benefit insurance premiums are accounted for when receivable.

In respect of reinsurance services:-

Premium written consists of premium accounted for in the financial period under review, falling under reinsurance contracts in force as at the end of the financial period notwithstanding the inception date of the contract.

Provision is made for unearned premium, being the proportion of net premium income that relates to risks that have not expired at the end of the financial year. In instances where it is anticipated that the unearned premium will be insufficient to cover the estimated costs of future related claims, the provision is adjusted accordingly. The unearned premium reserve is calculated on the 1/365th basis.

3.3.5 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 reporting 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 of the expenses incurred that are recoverable.

3.3.6 Dividends

The Group recognises dividends on the “last day to trade” for listed shares, and on the “date of declaration” for unlisted shares.

3.4 Financial instruments

The Group recognises financial assets and financial liabilities on its statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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3.4.1 Financial assets

Financial assets are classified into the following specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL) and within this category as
    - held for trading or
    - designated at fair value through profit or loss ,
- financial assets at fair value through other comprehensive income (FVTOCI) and
- financial assets at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are subsequently measured at either armortised cost or fair value.

3.4.1.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 3.4.4.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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3.4.1.2 Financial assets at FVTOCI

Fair value is determined in the manner described in note 3.4.4. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Assets included in this category include unlisted shares except to the extent that these have been designated as at FVTPL.

The fair value of monetary assets at FVTOCI denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.4.1.3 Financial assets at amortised cost

This includes loans and other receivables, bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Investments are recorded using the effective interest method less any impairments with revenue being recognised on an effective yield basis.

3.4.1.4 Cash and cash equivalents

"Cash and cash equivalents" include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

3.4.1.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted on.

For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Group's prior loss experience, an increase in the number of delayed payments in the portfolio past the average credit period, the size and diversity of the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In making the above assessments, the Group adheres to the provisions of the Reserve Bank of Zimbabwe's prudential guidelines on risk provisioning, and any general provision raised in accordance with such provisions, which is not directly associated with a specific loan or loan portfolio, is dealt with through the statement of changes in equity as a charge or credit on the general reserves.

For financial assets carried at armortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairments previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognised directly in other comprehensive income.

3.4.1.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and any associated liabilities for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of:
- the consideration received and
- any cumulative gain or loss that has been recognised in other comprehensive income,
- is recognised in profit or loss.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3.4.2 Financial liabilities and equity instruments issued by the Group

3.4.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.4.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.4.2.3 Compound instruments

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.4.2.4 Treasury shares

Where the Group purchases its own equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. No gain or loss is recognised in income or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

3.4.2.5 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out in note 3.3.

3.4.2.6 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3.4.2.7 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 3.4.4.

3.4.2.8 Borrowings, including preference shares

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost and any difference between net proceeds and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

When convertible borrowings are issued, the fair value of the conversion option is determined. This amount is recorded separately in shareholders' equity. The Group does not recognise any change in the value of this option in subsequent periods. The remaining obligation to make future payments of principal and interest to bond-holders is calculated using a market interest rate for an equivalent non-convertible bond and is presented on the amortised cost basis in other borrowed funds until extinguished on conversion or maturity of the bonds.

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and presented together with other borrowings. The dividends on these preference shares are recognised in profit or loss as interest expense on an amortised cost basis using the effective interest method.

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If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in net operating income.

3.4.2.9 Provisions

The Group recognises liabilities, including provisions:

- when it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and,
- a reliable estimate of the amount of the obligation can be made.

3.4.2.10 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at armortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.4.2.11 Financial liabilities under insurance and investment contracts

The Group's statutory actuary calculates the Group's liabilities under the insurance and investment contracts annually at the reporting date. The transfers to policyholders' liabilities reflected in the financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net of adjustments to the policyholders' bonus stabilisation reserve and net adjustments to margins held within the policyholders' liabilities.

3.4.2.12 Claims and policyholder benefits

Individual life benefits and group policyholder benefits are accounted for when claims are intimated.

3.4.2.13 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

3.4.3 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the statement of financial position where:

- there is a legally enforceable right to set off;
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.4.4 Fair values of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of liability reflects its non-performance risk.

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The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices, and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The valuation technique used depends on the nature of the financial instrument.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

3.5 Contingent liabilities

Contingent liabilities are disclosed when the Group:

- has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- has a present obligation that arises from past events but is not recognised because:-
  - it is not probable that an outflow of resources will be required to settle an obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Weighted average cost is used to determine the value of inventory.

3.7 Acceptances

In accordance with standard practice in Zimbabwe, the liability under acceptances includes bills drawn on and accepted by Group companies and held in portfolio as an asset.

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3.8 Property and equipment

Property and equipment held for use in the supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by or with assistance of professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position date.

Any revaluation increase arising on the revaluation of such property and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property and equipment is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

If an item of property and equipment is revalued, the entire class of property and equipment to which that asset belongs is revalued. A class of property and equipment is a grouping of assets of a similar nature and use in the Group's operations.

Depreciation on revalued property and equipment is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profit.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets is on the same basis as other property assets, and commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, to their residual amounts using the straight-line method. The recoverable amount is assessed on an annual basis and where the residual amount exceeds the carrying amount, depreciation on those assets is ceased. Depreciation is calculated over the estimated useful life of the asset which is reassessed on an annual basis.

All assets are appraised for impairment on an annual basis. Any diminution in the value of an asset arising from this appraisal is charged to the statement of profit or loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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3.9 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange profits or losses are recognised in the profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; or
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.
- "Available-for-sale" equity investments except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

For the purposes of the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States dollars using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which circumstances the exchange rates at the dates of transactions are used. Exchange differences arising from the translation process are classified as equity and recognised in the Group's foreign currency translation reserve until the foreign operation is disposed of, at which point the reserve is recognised in profit or loss.

Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income for the year. Taxable income differs from net income as 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax income nor the accounting income.

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The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11 Pension funds

The Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

3.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.12.1 The Group as lessor

When assets are held subject to a finance lease, the present value of the lease payments and any other unguaranteed residual value accruing to the Group is recognised as receivable at the amount of the Group's net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a periodic rate of return.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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3.12.2 The Group as lessee

Assets held under finance lease are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.20).

Rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

3.13 Instalment transactions

Lease income and finance charges are generally pre-computed at the commencement of the contractual periods and are credited to income in proportion to the reducing capital balances outstanding. The unearned portion of these finance charges is shown as a deduction from "Advances and other accounts".

3.14 Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year, which are declared after the reporting date, are dealt with in the subsequent events note.

3.15 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as a nominee, trustee or agent.

3.16 Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- the Group intends to, and has sufficient resources to complete development and to use or sell the asset.

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Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are shown at cost less accumulated amortisation and impairment.

3.17 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

3.18 Investment property

Investment property is property held to earn rentals and / or for capital appreciation, rather than property held for sale in ordinary course of business or use in production, supply of goods and services or for administrative purposes, and includes vacant land with an undetermined future use. Investment property is initially measured at cost and subsequently at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the properties revaluation reserve is transferred to retained earnings.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3.19 Reinsurance contracts

The Group classifies a reinsurance contract as an insurance contract issued by itself (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. An insurance contract is one under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is risk of a possible future change in one or more of a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

3.19.1 Outstanding claims reserve

Claims are accounted for in the accounting periods in which they occur. Full provision is made for the estimated costs of all claims notified but not settled at year end and for claims incurred at year end but not reported until after that date, using the best information available at the time. The estimates include provision for inflation and other contingencies arising in settlement of the claims. Anticipated reinsurance recoveries are disclosed separately as reinsurance assets.

3.19.2 Insurance liabilities

At each reporting date, management assesses whether insurance liabilities are adequate, using current estimates of the future cash flows under its insurance contracts. If the assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and intangible assets) is inadequate in light of estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

3.19.3 Commissions

Commissions are business acquisition costs and are accounted for when incurred and are not deferred.

3.19.4 Reinsurance held

The reinsurance business has retrocession (proportional reinsurance) and protection cover (non-proportional reinsurance) arrangements with international reinsurers. Premium in respect of reinsurance risks retroceded is classified as gross premium retroceded. Premium in respect of protection cover is accounted for separately in the income statement as premium protection cover. Retrocession claims are claims recovered from retrocessionaires in respect of claims paid falling under risks retroceded. These are shown separately in the income statement as income. Retrocession commission is income in respect of premium risks retroceded and is accounted for separately in the income statement.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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3.19.5 Reinsurance assets

Reinsurance assets consist of balances due from retrocessionaires / protection cover reinsurers for liabilities falling under risks retroceded. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with reinsured contract. Reinsurance assets are tested for impairment annually. A reinsurance asset is impaired if and only if there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset, that the entity may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the entity will receive from the reinsurer.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments arising from the internal reporting structure and nature of business conducted. Transactions between segments are conducted at arm's length and utilisation of Group resources is charged for on the basis of an internal funds transfer pricing system which is tied to market rates ruling from time to time. Measurement of segment assets and liabilities and segment revenues is based on the accounting policies as set out in note 3. The Group identified its key business segments as follows:

a) Banking Operations

This segment provides a wide range of financial services to customers through a wide network of branches and electronic delivery channels. In the main, the core business of this segment is the provision of retail and commercial banking services. The product range includes deposit taking, personal and corporate lending, asset finance, mortgage finance, treasury management, corporate advisory services, medium to long term structured finance, share transfer and script management services, and a wide array of card-based facilities. The segment comprises the commercial banking operations, the building society operations and the venture capital operations of the Group.

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b) Insurance Operations

This segment is primarily in the business of providing structured insurance products. The life assurance section provides life assurance services through the granting and purchasing of endowments on lives, the granting and sale or purchase of annuities present and deferred or reversionary on lives. The reinsurance section is in the business of accepting insurance premiums from insurance companies in order to indemnify the ceding insurance companies against a proportion of loss on an insurance contract.

c) Other Strategic Investments

Key operations included under this segment are involved in the following businesses:

- The Group shared services - this houses common activities that support all business units such as ICT, risk management, compliance, human resources and similar services. This helps with the seamless delivery of the enterprise resource planning activities.
- Strategic investments - this include property holdings and other nominal investments in other sub sectors of the financial sector.

As all operations of the Group are carried out in one country, Zimbabwe, therefore, no segment information has been provided in terms of the geographic representation.

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4. SEGMENT INFORMATION

4.1 31 December 2017

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net earnings from lending activities	14 022 573	789 114	-	14 811 687
Net fees and commission income	37 434 349	9 606 908	340 247	47 381 504
Other revenue	7 325 831	(2 835 246)	6 008 502	10 499 087
Total segment revenue	58 782 753	7 560 776	6 348 749	72 692 278
Other material non-cash items:				
Depreciation	2 149 407	163 819	161 045	2 474 271
Amortisation of intangible assets	2 426 469	-	25 860	2 452 329
Fair value adjustments	1 033 724	1 940 541	(244 636)	2 729 629
Reportable segment profit before taxation	14 113 255	2 266 206	2 470 677	18 850 138
Reportable segment assets as at 31 December 2017	496 037 199	65 848 053	(34 798 743)	527 086 509
Reportable segment liabilities as at 31 December 2017	405 158 975	38 852 994	(18 057 994)	425 953 975

[1]. Includes consolidation journals.

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4. SEGMENT INFORMATION (continued)

4.1 31 December 2016

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net interest and related income	16 902 679	604 573	-	17 507 252
Net fees and commission income	36 276 047	8 813 858	(1 668 905)	43 421 000
Other revenue	3 114 449	1 295 776	(268 657)	4 141 568
Total segment revenue	56 293 175	10 714 207	(1 937 562)	65 069 820
Other material non-cash items:				
Depreciation	2 313 043	144 116	154 550	2 611 709
Amortisation of intangible assets	2 919 113	-	27 770	2 946 883
Fair value adjustments	(806 904)	473 973	572 744	239 813
Reportable segment profit before taxation	9 929 562	1 324 679	1 571 295	12 825 536
Reportable segment assets as at 31 December 2016	414 040 108	62 438 422	(37 185 734)	439 292 796
Reportable segment liabilities as at 31 December 2016	329 882 122	36 225 104	(16 247 928)	349 859 298

[1]. Includes consolidation journals.

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		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
5.	CASH AND CASH EQUIVALENTS				
5.1	Balances with the Reserve Bank of Zimbabwe	-	-	64 809 564	44 963 967
5.2	Balances with other banks, nostro accounts and cash	602 505	1 237 506	42 006 654	37 229 532
	Total cash and cash equivalents	602 505	1 237 506	106 816 218	82 193 499
6.	MONEY MARKET INVESTMENTS				
	Money market investments	-	-	3 538 998	5 519 513

The Group invested in money market placements which had maturities ranging from 7 days to 180 days and average interest rates ranging from 3% to 7%.

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
7.	TREASURY BILLS				
	Treasury bills include:				
7.1	Assets classified as 'at fair value through profit or loss':				
	Short term treasury bills[1]	-	-	11 428 236	-
7.2	Assets classified as 'at fair value through other comprehensive income':				
	Medium term treasury bills acquired from the market[2]	-	-	105 694 046	83 485 452
7.3	Assets classified as 'loans and receivables':				
	Treasury bills issued as substitution for debt instruments[3]	-	-	23 485 728	20 257 788
	Capitalisation treasury bills[4]	-	-	15 337 181	14 890 466
		-	-	155 945 191	118 633 706

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7. TREASURY BILLS (continued)

1. The Group invested in treasury bills issued by the RBZ over a period of 12 months to 36 months at rates ranging from 9% to 10%.
2. The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 years.
3. The Group received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 to 15 years.
4. The Capitalisation Treasury Bills (CTBs) with a face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe against an interest free loan at the Holding Company. The CTBs were then used to recapitalize ZB Bank Limited, a 100% owned subsidiary. The CTBs mature on 26/05/2025 and carry a coupon of 1% which is payable on maturity.

Classification:-

The CTBs have been classified as Loans and Receivables in terms of IAS39: "Financial Instruments: Recognition and Measurement". Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.

Measurement of fair value at initial recognition:-

The computation of the fair value at initial recognition falls into Level 3 of the fair value hierarchy in terms of IFRS 13: "Fair Value" due to the absence of a recognizable market in which similar instruments are traded. The valuation was constructed as follows:-

<table>
<tr><th>Valuation technique</th><th>Significant unobservable inputs</th><th>Inter-relationship between unobservable inputs and fair value measurement</th></tr>
<tr><td>The discounted cash flow valuation technique was applied by identifying a risk adjusted discount rate for comparable risk profiles and applying this on the contractual cash-flows in order to determine the present value of the instrument.</td><td>A discount rate of 5% was applied. This was developed principally from adding a supposed fair rate of return to the projected inflation profile over the term of the instrument which yielded a range of 3.93% to 5.5%.

The supposed fair return was based on the US 10 year bond.

The rates above were corroborated by reference to :-
a) Rates applicable to similar loans to GoZ over the same term.
b) External loan rates to private sector players in Zimbabwe after adjustment for risk margins and charges.</td><td>The estimated fair value would increase or decrease if a different risk adjusted discount rate was applied. Below is an indication of the sensitivity analysis at different rates:-

<table><tr><th>Rate</th><th>Basis</th><th>Reduction in capital</th></tr><tr><td>3.93%</td><td>Minima</td><td>4 131 849</td></tr><tr><td>4.63%</td><td>Average</td><td>4 961 520</td></tr><tr><td>5.5%</td><td>Maxima</td><td>5 925 464</td></tr></table></td></tr>
</table>

Impairment assessment

The treasury bills are assessed for impairment annually. There was no objective evidence at 31 December 2017 to suggest that future cashflows on the CTBs could end up being less than anticipated at the point of initial recognition. Additionally, interest rate scenarios assessed to be applicable in the valuation of the CTBs, given their peculiarity, were assessed to be similar to those applicable as at the end of the previous year. Consequently, no impairment adjustment arose from the assessment

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		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
7.4	Contingent treasury bill assets				
	In respect of treasury bills held in trust on behalf of clients (note 33.1)	-	-	1 573 494	2 615 504

The Group previously held balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporates and tobacco farmers. As part of the debt assumption process in terms of the Reserve Bank of Zimbabwe (Debt Assumption) Act 2015, treasury bills were issued in respect of the capital portion only of the balances then held at the Reserve Bank. The Group received treasury bills amounting to US$6.8 million with tenures ranging from 3 years to 5 years at interest rates ranging from 2% to 3.5% p.a. US$5.2 million (2016: US$4.2 million) of these treasury bills had been passed on to customers as at 31 December 2017. These treasury bills have been accounted for as off-balance sheet assets as at 31 December 2017 as the Group is holding them on behalf of customers.

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
8.	MORTGAGES AND OTHER ADVANCES				
8.1	Gross loan book				
	Mortgage advances	-	-	16 898 535	17 732 525
	Other advances:				
	Loans, overdraft and other accounts	-	-	89 011 450	81 940 716
	Finance leases	-	-	2 841 087	2 647 794
	Bills discounted	-	-	1 399 977	3 432 237
	Insurance advances	-	-	4 623 633	3 825 382
	Total other advances	-	-	97 876 147	91 846 129
	Gross advances	-	-	114 774 682	109 578 654
	Off balance sheet exposures				
	In respect of guarantees	-	-	13 565 238	5 508 563
	Gross credit exposure	-	-	128 399 920	115 087 217
	Gross advances	-	-	114 774 682	109 578 654
	Less: Allowance for loan impairments	-	-	(7 616 804)	(6 684 196)
	Less: interest reserved	-	-	(2 187 540)	(3 700 800)
	Net advances	-	-	104 970 338	99 193 658

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For the year ended 31 December 2017

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
8.2	**Maturity analysis**				
	On demand	-	-	24 865 879	24 412 121
	Within 1 month	-	-	1 460 597	15 198 224
	Between 1 and 6 months	-	-	14 503 331	7 639 850
	Between 6 and 12 months	-	-	17 325 472	17 283 890
	After 12 months	-	-	46 815 059	34 659 573
		-	-	104 970 338	99 193 658
8.3	**Non-performing loans**				
	Included in the above are the following;				
	Non-performing loans	-	-	13 693 570	25 975 323
	Less: Allowance for loan impairments	-	-	(7 616 804)	(6 684 196)
	Less: Interest reserved	-	-	(2 187 540)	(3 700 800)
	Value to be received from security held	-	-	3 889 226	15 590 327

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of security held in respect of the non-performing book amounted to US$21 586 351 as at 31 December 2017 (2016: US$27 338 998) out of which the value at risk of $5 580 901 is expected to be recovered.

Non-performing loans with a net value of US$9 599 374 were transferred to a Special Vehicle called Credsave (Private) Limited (Credsave) in 2016, in a transaction that is yet to meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Group. The Group plans to offer the Credsave pool of assets as a "block" to interested investors upon which the assets will meet conditions for derecognition from the statement of financial position. In the meantime, recovery efforts continue with any recoveries resulting in the adjustment of the net exposure to the Group.

As at 31 December 2017, the carrying value of these assets stood at $6 723 377, with a security value of US$12 194 300, thus implying a security coverage of 181%. The Bank has initiated legal proceedings for the recovery of amounts outstanding against existing security.

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		COMPANY				GROUP			
		31 Dec 2017 US$	As a % of Total	31 Dec 2016 US$	As a % of Total	31 Dec 2017 US$	As a % of Total	31 Dec 2016 US$	As a % of Total
8.4	**Sectorial analysis**								
	Gross advances:								
	Private	-	0%	-	0%	45 952 412	36%	47 589 436	41%
	Agriculture	-	0%	-	0%	12 748 770	10%	11 414 159	10%
	Mining	-	0%	-	0%	669 365	1%	6 789 929	6%
	Manufacturing	-	0%	-	0%	8 333 870	6%	9 449 756	8%
	Distribution	-	0%	-	0%	6 656 510	5%	7 565 394	7%
	Construction	-	0%	-	0%	1 900 415	1%	972 468	1%
	Transport	-	0%	-	0%	3 473 088	3%	1 304 858	1%
	Services	-	0%	-	0%	24 364 259	19%	16 884 044	15%
	Financial	-	0%	-	0%	10 033 271	8%	6 956 457	5%
	Communication	-	0%	-	0%	642 722	1%	652 153	1%
		-	0%	-	0%	114 774 682	90%	109 578 654	95%
	Guarantees:								
	Manufacturing	-	0%	-	0%	11 905 000	9%	5 508 563	5%
	Distribution	-	0%	-	0%	605 609	0%	-	0%
	Construction	-	0%	-	0%	193 486	0%	-	0%
	Transport	-	0%	-	0%	6 000	0%	-	0%
	Services	-	0%	-	0%	849 143	1%	-	0%
	Communication	-	0%	-	0%	6 000	0%	-	0%
	Total credit exposure	-	0%	-	0%	128 399 920	100%	115 087 217	100%

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		COMPANY 31 Dec 2017 US$	COMPANY 31 Dec 2016 US$	GROUP 31 Dec 2017 US$	GROUP 31 Dec 2016 US$
8.5	**Loan impairments:**				
	Movement of balance during the year:				
	Balance at beginning of year	-	-	6 684 196	9 153 069
	Charge to statement of profit or loss (note 8.6)	-	-	3 563 353	1 954 349
	Write offs against provision	-	-	(2 630 745)	(4 423 222)
	Balance at end of year	-	-	7 616 804	6 684 196
	Comprising:				
	specific provision	-	-	5 501 316	5 914 306
	portfolio provision	-	-	2 115 488	769 890
		-	-	7 616 804	6 684 196
8.6	**Loan impairments:**				
	Net (charges) / recoveries through statement of profit or loss:				
	Recoveries in respect of debts previously written off	-	-	567 958	2 725 370
	Charge to loan impairment allowance	-	-	(3 563 353)	(1 954 349)
		-	-	(2 995 395)	771 021

The above provisions have been established in terms of the accounting policy 3.4.1.3 in respect of payment of financial assets at 31 December 2017.

		COMPANY 31 Dec 2017 US$	As a % of Total	31 Dec 2016 US$	As a % of Total	GROUP 31 Dec 2017 US$	As a % of Total	31 Dec 2016 US$	As a % of Total
8.7	**Mortgage advances**								
	Mortgage advances were spread as follows:								
	Type of property:-								
	High density	-	0%	-	0%	1 036 570	6%	4 625 243	26%
	Medium density	-	0%	-	0%	2 575 947	15%	2 022 234	11%
	Low density	-	0%	-	0%	7 918 008	47%	6 822 447	38%
	Commercial	-	0%	-	0%	5 368 010	32%	4 262 601	25%
		-	0%	-	0%	16 898 535	100%	17 732 525	100%

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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8.8 Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain equipment where the Group is the lessor:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Gross investment in finance leases:				
Less than 1 year	-	-	816 012	1 084 058
Between 1 and 5 years	-	-	2 349 113	1 940 055
Gross investment in finance leases	-	-	3 165 125	3 024 113
Unearned finance charges	-	-	(324 038)	(376 319)
Net investment in finance leases	-	-	2 841 087	2 647 794
Less than 1 year	-	-	780 903	1 017 472
Between 1 and 5 years	-	-	2 060 184	1 630 322
	-	-	2 841 087	2 647 794

8.9 Determination of carrying value

Loans and advances are carried at amortised cost using the effective interest rate.

9. INVESTMENT SECURITIES

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
9.1 Assets classified as "fair value-through profit or loss":				
Unit Trusts	-	-	576 360	513 383
Government and public utilities stock	-	-	12 383 151	4 570 234
Listed equity investments	1 108 211	389 597	14 638 578	5 134 100
Unlisted equity investments	368 689	344 383	4 752 206	4 384 298
	1 476 900	733 980	32 350 295	14 602 015
9.2 Held at amortised cost				
Embargoed funds	-	-	4 362 818	5 796 842
Short term investments	5 026 326	3 170 506	-	-
	6 503 226	3 904 486	36 713 113	20 398 857

Valuation techniques for assets held at fair value are discussed in note 36.2.1

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		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
9.3	Movement of investment securities				
	Balance at beginning of year	3 904 486	15 697 371	20 398 857	18 407 802
	Additions during the year:	3 100 000	305 135	18 002 397	2 686 810
	- on listed equity investments	-	83 635	9 154 017	102 331
	- on Government stock	-	-	8 848 380	2 584 479
	- on short term investments	3 100 000	221 500	-	-
	Disposals	(1 244 180)	(12 277 071)	(3 896 086)	(1 910 093)
	- on listed equities	-	(9 940)	(2 276 906)	(9 940)
	- on unlisted investments	-	-	-	(130 000)
	- on Government stock	-	-	(1 619 180)	(1 770 153)
	- on short term investments	(1 244 180)	(12 267 131)	-	-
	Receipt of part of embargoed funds	-	-	(1 434 902)	-
	Fair value adjustments	742 920	179 051	3 012 001	1 214 965
	- on listed equities	718 614	138 959	2 378 081	837 900
	- on unlisted equities	24 306	40 092	570 943	337 628
	- on unit trust investments	-	-	62 977	39 437
	Reclassification from investments in associates	-	-	487 564	-
	Gains arising from disposal of investment securities:	-	-	141 572	-
	Exchange losses:	-	-	1 710	(627)
	-on bank balances	-	-	1 426	(548)
	-on unlisted equity investments	-	-	284	(79)
	Balance at end of year	6 503 226	3 904 486	36 713 113	20 398 857
10.	GROUP INVESTMENTS				
10.1	Investments in associates				
	Balance at beginning of year	1 988 245	825 139	35 231 971	36 701 892
	Acquisitions	91 147	832 998	91 147	832 998
	Reclassified to investment securities	-	-	(487 564)	-
	Share of current year (loss) / profits after tax	(169 151)	330 108	656 922	(2 302 919)
	Balance at end of year	1 910 241	1 988 245	35 492 476	35 231 971

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10.1 Investments in associates (continued)

The following represents the Group's investments in associate companies which have all been accounted for on an equity basis :-

	COMPANY		GROUP	
Name of company	2017 % Holding	2016 % Holding	2017 % Holding	2016 % Holding
Cell Insurance (Private) Limited[1]	33.32%	33.32%	33.32%	33.32%
Zimswitch Technologies (Private) Limited[2]	-	-	27.68%	27.68%
Original Investments (Private) Limited[3]	42.00%	42.00%	42.00%	42.00%
Twirlton Investments (Private) Limited[3]	26.00%	26.00%	26.00%	26.00%
Mashonaland Holdings Limited[3]	-	-	34.72%	34.72%
- Shareholder	-	-	19.31%	19. 31%
- Policyholders	-	-	15.41%	15 .41%
Nature of Business				
[1]Short-term insurance				
[2]Payments switch				
[3]Property				
Aggregated amounts relating to associate companies:				
Total assets	18 091 567	16 291 835	128 743 005	125 998 092
Total liabilities	12 358 551	11 588 912	25 008 630	24 789 076
Revenue	3 760 612	3 053 451	22 921 432	4 840 058
Profit	(507 656)	732 772	14 012 058	(3 580 770)
Share of (losses) / profit after tax	(169 151)	330 108	656 622	(2 302 919)
Dividend received	-	-	2 379 232	-

Credit Insurance Zimbabwe Limited ceased to be an associate during the year after the Group's shareholding reduced from 42.10% to 8.43% following a rights issue.

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10.2 Investments in subsidiaries

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Balance at beginning of year	85 906 196	77 394 865	-	-
Fair value adjustments	8 583 446	8 511 331	-	-
Balance at end of year	94 489 642	85 906 196	-	-
Owned by ZB Financial Holdings Limited (Company):-				
ZB Bank Limited - 100%	62 134 022	56 182 576	-	-
Scotfin Limited - 100%	-	-	-	-
ZB Holdings Limited - 100%	1 064 958	519 973	-	-
Intermarket Holdings Limited - 84.26%	29 626 707	27 756 195	-	-
ZB Transfer Secretaries – 100%	881 059	778 009	-	-
ZB Associated Services - 100%	782 896	669 443	-	-
Total investments in subsidiaries	94 489 642	85 906 196	-	-

ZB Bank Limited operates as a commercial bank whilst Scotfin Limited is registered to undertake asset finance business. The asset finance business operations are presently being carried out under ZB Bank Limited, leaving Scotfin Limited as a dormant company. ZB Transfer Secretaries (Private) Limited offers transfer secretarial services for share registers domiciled in Zimbabwe. ZB Associated Services (Private) Limited provides security services to both the Group and external customers.

Fair value adjustments represent the movement in the net assets of the subsidiary companies.

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10.2 Investments in subsidiaries (continued)

Other subsidiary companies in the Group are as follows:

	2017 % Holding	2016 % Holding	Nature of Business	Status
Owned by ZB Bank Limited:				
The Trustee Company of Central Africa (Private) Limited	100%	100%	Investment	Dormant
ZB Nominees (Private) Limited	100%	100%	Investment	Dormant
Syfrets Nominees (Private) Limited	100%	100%	Investment	Dormant
Barcelona Investments Limited	100%	100%	Property	Active
Owned by ZB Holdings Limited				
ZB Capital (Private) Limited	100%	100%	Venture capital	Active
Data Centre (Private) Limited	100%	100%	Technology	Dormant
Syfrets Trust and Executor Limited	100%	100%	Estates and Trusts Administration	Dormant
Syfin Holdings Limited	100%	100%	Investment	Dormant
Syfrets Corporate Trustee Company (Private) Limited	100%	100%	Investment	Dormant
Owned by Intermarket Holdings Limited:				
ZB Reinsurance Limited	100%	100%	Reinsurance	Active
First Mortgage Investments (Private) Limited	100%	100%	Investments	Dormant
Intermarket Banking Corporation Limited (IBCL)	96%	96%	Commercial bank	Passive
ZB Life Assurance Limited	64%	64%	Life assurance	Active
ZB Building Society	59%	59%	Building society	Active
Owned by ZB Building Society:				
Finsure Investments (Private) Limited	51%	51%	Property	Active
Wentspring Investments (Private) Limited	100%	100%	Investment	Active
Owned by ZB Life Assurance Limited:				
Intermarket Properties (Cinema) (Private) Limited	100%	100%	Property	Active
Aasaculz (Private) Limited	100%	100%	Property	Active
Citiside (Private) limited	60%	60%	Leisure	Active
Checkweighers Farmers (Private) Limited	65%	65%	Property	Active

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10.3 Valuation techniques and significant unobservable inputs

IFRS 13 “Fair Value Measurement”, prescribes that the valuation of a financial or non-financial asset should be done according to the unit of account i.e. level of aggregation of assets. However, the unit of account for an investment in an unlisted subsidiary or associate cannot be readily determined as it can either be the investment as a whole or the individual assets held within the entity concerned. Level 1, 2 and 3 inputs as described in note 3.4.4 cannot be effectively used unless the unit of account is specifically identified. At the time of approving the financial statements, the International Accounting Standards Board had not presented a conclusive position on the unit of account for an unlisted investment.

Management has used its judgment in adopting the net asset value model in determining the fair value of unlisted investment securities in the absence of a standard or interpretation.

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10.4 Non-controlling interests (NCI)

31 December 2017

	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	41%	36%	4%		
	US$	US$	US$	US$	US$
Non current assets	23 924 227	35 792 350	7 421 192		
Current assets	21 690 925	16 009 333	-		
Non current liabilities	(765 924)	(33 673 525)	(380 349)		
Current liabilities	(22 530 743)	(2 354 628)	(615 126)		
NCI recorded in subsidiaries	(4 407 164)	(93 350)	-		
Net assets	17 911 321	16 680 180	6 425 717		
Carrying amount of NCI	7 386 629	6 079 926	267 182	7 388 130	21 121 867
Revenue	7 491 866	10 650 364	68 910		
Profit	1 297 889	1 272 582	45 445		
OCI	3 975	65 636	-		
Total comprehensive income	1 301 864	1 338 218	45 445		
Profit allocated to NCI	107 670	1 323 230	-	(332 740)	1 098 160
OCI allocated to NCI	-	14 987	-	31 221	46 208
Cash flows from operating activities	4 054 517	(1 220 478)	(1 630)		
Cash flows from investment activities	(2 569 297)	39 382	1 630		
Cash flows from financing activities (dividends to NCI)	(578 516)	-	-		
Net increase / (decrease) in cash and cash equivalents	906 704	(1 181 096)	-		

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10.4 Non-controlling interests (NCI) (continued)

31 December 2016

	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	41%	36%	4%		
	US$	US$	US$	US$	US$
Non current assets	15 470 369	34 652 436	7 278 660		
Current assets	32 751 169	12 430 503	84 981		
Non current liabilities	(764 670)	(28 948 513)	(379 732)		
Current liabilities	(25 861 731)	(2 212 642)	(603 637)		
NCI recorded in subsidiaries	(4 520 116)	(78 363)	-		
Net assets	17 075 021	15 843 421	6 380 272		
Carrying amount of NCI	7 041 739	5 774 927	265 293	7 205 329	20 287 288
Revenue	7 005 453	7 499 589	18 293		
Profit	1 344 840	28 417	(1 036)		
OCI	(15 024)	4 917	-		
Total comprehensive income	1 329 816	33 334	(1 036)		
Profit allocated to NCI	441 244	42 634	-	999 595	1 483 473
OCI allocated to NCI	-	(9 300)	-	(516 195)	(525 495)
Cash flows from operating activities	7 042 766	799 456	(113)		
Cash flows from investment activities	(6 967 301)	(830 383)	113		
Cash flows from financing activities (dividends to NCI)	(439 524)	(100 000)	-		
Net decrease in cash and cash equivalents	(364 059)	(130 927)	-		

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
11.	**INVENTORIES, TRADE AND OTHER RECEIVABLES**				
	Inventories	-	-	2 307 964	1 635 263
	Items in transit	-	-	1 862 473	1 352 508
	Prepayments	-	-	6 998 920	4 323 832
	Sundry receivables	6 170 832	6 224 591	3 015 360	2 488 621
	Total	6 170 832	6 224 591	14 184 717	9 800 224

Inventories are stated at the lower of cost and net realisable value. Average cost is used to determine the value of inventory.

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
12.	**INVESTMENT PROPERTIES**				
12.1	**Made up as follows:**				
	Land stock held for capital appreciation and completed properties available for lease:				
	- Residential	373 000	344 000	10 020 205	11 199 000
	- Commercial	-	-	18 801 758	14 329 848
	- Industrial	-	-	1 150 000	1 200 000
	Balance at end of year	373 000	344 000	29 971 963	26 728 848
12.2	**Reconciliation of carrying amount**				
	Carrying amount at beginning of year	344 000	342 000	26 728 848	14 996 099
	Additions	-	-	2 387 587	922 713
	Transfer from inventories	-	-	-	768 596
	Acquisition of property through debt settlement swap	-	-	-	164 465
	Transfer from property and equipment	-	-	-	10 690 027
	Reclassification from non-current assets held for sale (Note 15)	-	-	1 137 900	-
	Fair value adjustment	29 000	2 000	(282 372)	(813 052)
	Balance at end of year	373 000	344 000	29 971 963	26 728 848

Available for lease properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated. Rental income generated from investment properties amounted to US$962 616 (2016: US$1 156 449). Repairs and maintenance costs on investment properties that generated investment income amount to US$30 460 (2016: US$97 185).

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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12.3 Measurement of fair value

The fair value of the Group's investment properties as at 31 December 2017 was arrived at on the basis of valuations carried out by independent professional valuers, Edinview Property Group (EPG Global) (2016 - Edinview Property Group (EPG Global). The valuation, which conforms to International Valuation Standards, was in terms of accounting policy 3.18 and was derived with reference to market information close to the date of the valuation.

The fair values of the Group's investment property are categorised into Level 3 of the fair value hierarchy as described in note 3.4.4.

12.3 Valuation techniques and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The **Investment Method** was applied on all income producing properties. Market capitalisation rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market. The **Direct Comparison Method** was applied on all residential properties, after EPG Global identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.	Average rentals per square metre - US$2.50 to US$8.00 Average investment yield - 8% to 15%.	The estimated fair value would increase (decrease) if: • Expected market rental growth were higher (lower) • Void period were shorter (longer) and • Occupancy rate were higher (lower)

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Marine assets & motor vehicles US$	Total US$
13. PROPERTY AND EQUIPMENT						
GROUP						
Cost or valuation						
Balance at 1 January 2017	22 209 312	6 597 924	5 856 191	8 130 936	5 661 023	48 455 386
Surplus on revaluation	129 084	-	-	-	88 399	217 483
Additions	-	151 479	267 591	1 960 465	314 837	2 694 372
Disposals	-	-	(42 804)	(18 698)	(400 033)	(461 535)
Balance at 31 December 2017	22 338 396	6 749 403	6 080 978	10 072 703	5 664 226	50 905 706
Accumulated depreciation						
Balance at 1 January 2017	494 510	3 043 926	2 940 775	5 558 247	4 160 885	16 198 343
Recognised in statement of profit or loss	4 184	595 011	541 902	958 652	374 522	2 474 271
Disposals	-	-	(29 466)	(15 625)	(359 727)	(404 818)
Balance at 31 December 2017	498 694	3 638 937	3 453 211	6 501 274	4 175 680	18 267 796
Carrying value at 31 December 2017	21 839 702	3 110 466	2 627 767	3 571 429	1 488 546	32 637 910
Carrying value at 31 December 2016	21 714 802	3 553 998	2 915 416	2 572 689	1 500 138	32 257 043

Immovable properties and marine assets were revalued as at 31 December 2017 on the basis of valuations carried out by independent and professional valuers, Edinview Property Group Global (2016 - EPG Global) and in terms of accounting policy 3.8. All movable assets are carried at directors' valuation which, in the main, was derived by the application of a depreciation charge on values carried at the beginning of the year. Comparison of carrying values to market values indicated by auctioneers was done on a sample basis and no material discrepancies were noted.

It has not been possible to fully comply with the requirements of International Accounting Standards (IAS 16: *Property, Plant and Equipment*), as regards disclosure of the carrying cost less accumulated depreciation of properties, had revaluations not been performed. This information is not material in the context of the Group financial statements.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Marine assets & motor vehicles US$	Total US$
13. PROPERTY AND EQUIPMENT						
GROUP						
Cost or valuation						
Balance at 1 January 2016	33 758 487	6 427 868	5 758 351	7 163 946	5 197 539	58 306 191
Transfers to investment properties	(11 033 360)	-	-	-	-	(11 033 360)
(Reduction) / surplus on revaluation	(515 815)	-	-	-	6 622	(509 193)
Additions	-	175 769	150 687	977 395	608 642	1 912 493
Impairment	-	(5 713)	-	-	-	(5 713)
Disposals	-	-	(52 847)	(10 405)	(151 780)	(215 032)
Balance at 31 December 2016	22 209 312	6 597 924	5 856 191	8 130 936	5 661 023	48 455 386
Accumulated depreciation						
Balance at 1 January 2016	833 659	2 463 097	2 442 772	4 616 603	3 706 262	14 062 393
Recognised in statement of profit or loss	4 184	580 829	531 933	951 008	543 755	2 611 709
Transfers to investment properties	(343 333)	-	-	-	-	(343 333)
Disposals	-	-	(33 930)	(9 364)	(89 132)	(132 426)
Balance at 31 December 2016	494 510	3 043 926	2 940 775	5 558 247	4 160 885	16 198 343
Carrying value at 31 December 2016	21 714 802	3 553 998	2 915 416	2 572 689	1 500 138	32 257 043
Carrying value at 31 December 2015	32 924 828	3 964 771	3 315 579	2 547 343	1 491 277	44 243 798

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For the year ended 31 December 2017

	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Marine assets & motor vehicles US$	Total US$
13. PROPERTY AND EQUIPMENT (continued)					
COMPANY					
2017					
Cost or valuation					
Balance at 1 January 2017	18 725	597 610	445 730	158 924	1 220 989
Additions	450	10 482	59 030	-	69 692
Disposals	-	(5 081)	(3 195)	-	(8 276)
Balance at 31 December 2017	19 175	603 011	501 565	158 924	1 282 675
Accumulated depreciation					
Balance at 1 January 2017	5 732	286 600	279 834	127 997	700 163
Recognised in statement of profit or loss	1 928	57 356	52 803	11 096	123 183
Disposals	-	(3 158)	(2 772)	-	(5 930)
Balance at 31 December 2017	7 660	340 798	329 865	139 093	817 416
Carrying value at 31 December 2017	11 515	262 213	171 700	19 831	465 259
2016					
Cost or valuation					
Balance at 1 January 2016	18 725	602 007	412 562	158 924	1 192 218
Additions	-	-	33 168	-	(33 168)
Disposals	-	(4 397)	-	-	(4 397)
Balance at 31 December 2016	18 725	597 610	445 730	158 924	1 220 989
Accumulated depreciation					
Balance at 1 January 2016	3 849	232 197	222 321	101 367	559 734
Recognised in statement of profit or loss	1 883	58 800	57 513	26 630	144 826
Disposals	-	(4 397)	-	-	(4 397)
Balance at 31 December 2016	5 732	286 600	279 834	127 997	700 163
Carrying value at 31 December 2016	12 993	311 010	165 896	30 927	520 826

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For the year ended 31 December 2017

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
14.	**INTANGIBLE ASSETS**				
	Computer software				
	Carrying amount at beginning of year	68 740	92 083	8 197 577	9 641 612
	Additions at cost	-	-	1 070 337	1 502 848
	Amortisation	(21 434)	(23 343)	(2 452 329)	(2 946 883)
	Balance at end of year	47 306	68 740	6 815 585	8 197 577
15.	**NON CURRENT ASSETS HELD FOR SALE**				
	Carrying amount at the beginning of the year	-	-	1 137 900	1 300 000
	Fair value adjustments	-	-	-	(162 100)
	Reclassification to investment properties (note 12.2)	-	-	(1 137 900)	-
	Balance at end of year	-	-	-	1 137 900

The Group has shelved previous plans to dispose of an industrial property situated at number 3 Hermes Road, Southerton, Harare. The building is currently vacant and will be made available for rental after minimal maintenance work has been completed.

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
16.	**DEPOSITS AND OTHER ACCOUNTS**				
16.1	Summary of deposits by type				
	Balances of banks	-	-	13 204 876	35 115 189
	Current accounts	-	-	53 674 201	40 644 346
	Savings and call accounts	-	-	154 062 830	93 353 180
	Fixed deposits	-	-	124 637 626	103 389 083
	Agrobills	1 526 326	2 770 456	1 526 326	2 770 456
		1 526 326	2 770 456	347 105 859	275 272 254

Group properties worth US$nil (2016: US$6 430 000) were offered as security for certain deposits during the year. These assets are included in the assets in notes 12 and 13.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
16.2	**Maturity analysis**				
	On demand	-	-	204 471 996	134 884 131
	Within 1 month	-	-	74 799 158	109 581 281
	Between 1 and 6 months	-	-	47 814 346	15 166 840
	Between 6 and 12 months	-	-	9 548 216	2 748 776
	After 12 months	1 526 326	2 770 456	10 472 143	12 891 226
		1 526 326	2 770 456	347 105 859	275 272 254

		COMPANY				GROUP			
		31 Dec 2017 US$	% Contribution	31 Dec 2016 US$	% Contribution	31 Dec 2017 US$	% Contribution	31 Dec 2016 US$	% Contribution
16.3	**Deposit concentration**								
	Private individuals	-	-	-	-	66 917 207	19%	43 186 754	16%
	Agriculture	-	-	-	-	11 494 136	3%	10 323 468	4%
	Mining	-	-	-	-	1 185 693	0%	1 232 321	0%
	Manufacturing	-	-	-	-	44 319 480	13%	16 279 204	6%
	Distribution	-	-	-	-	10 721 119	3%	10 024 142	4%
	Construction	-	-	-	-	6 125 661	2%	2 068 377	1%
	Transport	-	-	-	-	1 574 764	0%	1 304 675	0%
	Services	-	-	-	-	92 350 640	27%	69 224 004	25%
	Financial	1 526 326	100%	2 770 456	100%	66 254 215	19%	95 844 320	35%
	Communication	-	-	-	-	46 162 944	13%	25 784 989	9%
		1 526 326	100%	2 770 456	100%	347 105 859	100%	275 272 254	100%

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
17. TRADE AND OTHER PAYABLES				
Amounts due to other banks	-	-	-	3 135 361
Unearned premium reserve	-	-	1 278 509	1 596 452
Incurred but not yet reported claims reserve	-	-	1 588 773	1 861 481
Income received in advance	-	-	12 239 822	10 761 040
Interest accrued on deposits	-	-	1 021 598	715 674
Items in transit	4 046 514	4 076 716	4 882 546	2 780 988
Accrued expenses and provisions	-	-	2 787 084	1 532 115
Policyholders claims intimated but not paid	-	-	368 203	452 491
Trade payables	13 383 231	14 165 185	5 967 680	7 638 519
	17 429 745	18 241 901	30 134 215	30 474 121
18. CURRENT TAX LIABILITIES				
Balance at beginning of year	-	-	132 109	453 884
Recognised in statement of profit or loss	-	-	2 070 455	794 225
Tax payments	-	-	(2 179 347)	(1 116 000)
	-	-	23 217	132 109
19. DEFERRED TAX (ASSETS) / LIABILITIES				
19.1 Deferred tax				
Deferred tax asset	(472 857)	(1 625 949)	(586 839)	(1 765 869)
Deferred tax liability	-	-	3 523 305	3 960 000
Net deferred tax (assets) / liabilities	(472 857)	(1 625 949)	2 936 466	2 194 131

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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19.2. DEFERRED TAX

	Balance at 1 January US$	Recognised in profit or loss US$	Recognised in OCI US$	Balance at 31 December US$
GROUP				
2017				
Property and equipment	2 248 695	(767 040)	29 217	1 510 872
Fair value adjustments to financial assets	678 903	209 611	-	888 514
Assessed loss	(2 500 013)	1 773 350	-	(726 663)
Fair value gains on available for sale treasury bills	1 389 010	-	(553 792)	835 218
Other	377 536	50 989	-	428 525
	2 194 131	1 266 910	(524 575)	2 936 466
2016				
Property and equipment	3 184 581	(911 801)	(24 085)	2 248 695
Fair value adjustments to financial assets	717 996	(39 093)	-	678 903
Assessed loss	(3 394 858)	894 845	-	(2 500 013)
Fair value gains on available for sale treasury bills	1 322 838	-	66 172	1 389 010
Other	(278 913)	656 449	-	377 536
	1 551 644	600 400	42 087	2 194 131
COMPANY				
2017				
Property and equipment	162 608	(25 397)	-	137 211
Fair value adjustments to financial assets	7 339	7 429	-	14 768
Assessed loss	(1 795 896)	1 171 060	-	(624 836)
	(1 625 949)	1 153 092	-	(472 857)
2016				
Property and equipment	171 227	(8 619)	-	162 608
Fair value adjustments to financial assets	4 812	2 527	-	7 339
Assessed loss	(2 340 524)	544 628	-	(1 795 896)
	(2 164 485)	538 536	-	(1 625 949)

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
20. LONG TERM BORROWINGS				
Comprising of:				
Face value of loan	20 000 000	20 000 000	20 000 000	20 000 000
Valuation discount	(6 057 109)	(6 463 213)	(6 057 109)	(6 463 213)
Balance at end of year	13 942 891	13 536 787	13 942 891	13 536 787
Valuation discount:				
Balance at beginning of the year	6 463 213	7 107 823	6 463 213	7 107 823
Amortisation during the year	(406 104)	(644 610)	(406 104)	(644 610)
Balance at end of year	6 057 109	6 463 213	6 057 109	6 463 213

This relates to a loan facility acquired from the Government of Zimbabwe which will be redeemed in full in 2025 at a face value of $20 million. The loan was issued at zero percent interest rate. The loan was used to recapitalise, ZB Bank Limited, a subsidiary of the holding company.

The loan was measured at fair value at the date of initial recognition and the balance is being amortised at the effective interest rate on an annual basis. The fair value at initial recognition was determined using the Discounted Cash Flows method, applying a discount rate of 5% on future cash flows. The valuation method falls under Level 3 of the fair value hierarchy in terms of IFRs 13, 'Fair Value Measurement' as the discount rate used is an internal estimate developed from non-verifiable data as discussed more fully in note 7.3.

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2016 US$	31 Dec 2015 US$
21. LIFE ASSURANCE FUNDS				
Balance at beginning of year	-	-	28 249 896	27 772 546
Changes in policyholders' liabilities	-	-	3 561 431	477 350
- Gross premium income	-	-	11 698 891	10 719 721
- Reassurance premium cost	-	-	-	(492 613)
- Investment and other income	-	-	4 199 918	907 001
- Benefits paid and surrenders	-	-	(5 292 644)	(4 465 307)
- Marketing and administration expenses	-	-	(5 537 549)	(4 968 552)
- Surplus distribution	-	-	(1 507 185)	(1 222 900)
Balance at end of year	-	-	31 811 327	28 249 896

Life assurance funds are due to contributing policyholders at the life company as determined by the terms and conditions or practices applicable to each policy. Policy contracts issued by the life company transfer insurance or financial risk, or, in some instances, both, from one party to another.

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21. LIFE ASSURANCE FUNDS (continued)

Insurance contracts result in the Group accepting significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Investment contracts, on the other hand, are those that transfer financial risk with no significant insurance risk. Financial risk is the risk of possible future change in one or more of a specified interest rate, financial instrument price, commodity price, index of prices or rates, credit rating or any other variable.

Insurance contracts are valued in terms of the Financial Soundness Valuation (FSV) basis, on a gross premium valuation methodology and the liability is reflected in the statement of financial position. The liability is based on assumptions of the best estimate of future experience, plus compulsory margins for prudent liabilities, plus additional discretionary margins. Such valuation is carried out annually by independent actuaries.

Life fund liabilities are supported by the following net assets:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Listed equities	-	-	5 992 857	1 112 250
Unlisted equities	-	-	2 624 140	2 630 378
Gold fund	-	-	398 440	353 999
Government and public utilities stock	-	-	3 919 339	3 111 901
Investment properties	-	-	1 315 752	954 008
Funds on deposit	-	-	5 582 193	8 437 703
Equity accounted investments	-	-	11 550 053	11 524 823
Trade and other receivables	-	-	935 891	270 491
Non current assets held for sale	-	-	-	332 429
Gross assets	-	-	32 318 665	28 727 982
Less: Deferred tax liabilities	-	-	(171 682)	(120 472)
Less: Trade and other payables	-	-	(296 117)	(352 896)
Less: Income tax payable	-	-	(39 539)	(4 718)
Net assets	-	-	31 811 327	28 249 896

The assets and liabilities indicated above are included under appropriate sections in the consolidated statement of financial position.

Expense Overrun Reserve

An Expense Overrun Reserve (EOR) was set aside for the first time in 2010 to reflect the fact that the cost of administering the insurance business exceeded the expense allowances generated by business.

The EOR was run-off in full during 2016 due to the expense relief arising from the combined effect of increased business and cost control measures.

The movement in the life assurance funds is accounted for through profit and loss.

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21. LIFE ASSURANCE FUNDS (continued)

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Balance at 1 January	-	-	28 249 896	27 772 546
Increase in policyholder liabilities	-	-	3 561 431	477 350
Release of expense overrun reserve	-	-	-	(725 643)
Movement in the fund during the year	-	-	3 561 431	1 202 993
Balance at year end	-	-	31 811 327	28 249 896

22. EQUITY AND RESERVES

22.1 Share capital

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Company:				
Authorised:				
1 000 000 000 ordinary shares of US$0.01 each	10 000 000	10 000 000	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of US$0.01 each	1 751 906	1 751 906	1 751 906	1 751 906
Analysis of number of shares in issue				
Issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902

Subject to the limitations imposed by the Companies Act (Chapter 24:03) and the Regulations of the Zimbabwe Stock Exchange, the Articles of Association permit the directors to allot the unissued shares amounting to 824 809 358.

Fully paid shares carry one vote per share and carry a right to dividends.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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	COMPANY		GROUP	
	Share capital US$	Share premium US$	Share capital US$	Share premium US$
22.2 Fully paid ordinary shares and share premium				
2017				
Balance at beginning of year	1 751 906	27 081 696	1 751 906	27 081 696
Balance at end of year	1 751 906	27 081 696	1 751 906	27 081 696
2016				
Balance at beginning of year	1 751 906	27 081 696	1 751 906	27 081 696
Balance at end of year	1 751 906	27 081 696	1 751 906	27 081 696

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
22.3 Other components of equity				
General reserve (see note 22.3.1 below)	-	-	5 885 904	5 610 572
Properties and equipment revaluation reserve (see note 22.3.2 below)	-	-	11 996 022	12 287 546
Fair value gains on available for sale financial assets (see note 22.3.3 below)	-	-	2 408 347	4 005 204
	-	-	20 290 273	21 903 322
22.3.1 General reserves				
Balance at beginning of year	-	-	5 610 572	10 756 654
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(267 827)	(5 146 082)
Investment fluctuation reserves	-	-	543 159	-
Balance at the end of year	-	-	5 885 904	5 610 572

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22.3.1 General reserves (continued)

The general reserve is used to set aside capital to the extent of any excess that may arise out of general provisions computed in terms of prudential guidelines, and the application of discretionary security limits as established by supervisory authorities over any provisions computed in terms of International Financial Reporting Standards. Differences may arise as a result of:

a) Application of predetermined provisioning rates for an asset class that may not correspond to observable cash flow patterns, and
b) Application of discretionary discounts on, or complete exclusion of certain securities which may not be in line with demonstrable evidence of typical levels of security recovery values.

The general reserve is also used to reserve portions of capital to cater for short term uncertainties relating to the valuation of items that may have a material impact on the statement of profit or loss from year to year.

The adjustment for regulatory reserves in respect of doubtful debts in the current year arose from the synchronisation of security valuation for prudential purposes and that applied in the IFRS financial statements. Resultantly, regulatory provisions and IFRS provisions have been matched in respect of that aspect resulting in the release of excess regulatory provision of US$0.3m (2016: US$5.1m).

The investment fluctuation reserve caters for unforeseen movements in the value of assets which make up the capital in the life assurance business. It also caters for differences in the intrinsic values of the assets in relation to their short term trading values.

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
22.3.2 Property and equipment revaluation reserve				
Balance at beginning of year	-	-	12 287 546	13 498 927
Gains / (losses) on property revaluation	-	-	217 483	(509 193)
Revaluation movement against non-controlling interests	-	-	(46 208)	9 266
Deferred tax effect of property revaluation	-	-	(29 217)	24 085
Transfer to retained income	-	-	(433 582)	(735 539)
Balance at end of year	-	-	11 996 022	12 287 546

The property and equipment revaluation reserve arises on the revaluation of both movable and immovable property which is carried out regularly in terms of accounting policy note 3.8. Where revalued property or equipment is sold, the portion of the revaluation reserve that relates to the asset is effectively realized and is transferred directly to retained income.

The Companies Act (Chapter 24:03) does not restrict the distribution of the property and equipment revaluation reserve except that, in the event of cash distributions, adequate liquidity must be available to meet the cash payout without leaving the organization in an illiquid position. Generally, there are no restrictions on the payment of "bonus shares" out of the property and equipment revaluation reserve. Amounts may also be effectively distributed out of the properties and equipment revaluation reserve as part of a share buy-back.

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		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
22.3.3	**Available for sale financial assets**				
	Balance at the beginning of year	-	-	4 005 204	3 814 397
	Fair value (losses) / gains on the medium term treasury bills	-	-	(2 150 649)	256 979
	Deferred tax effect of fair valuation on available for sale financial assets	-	-	553 792	(66 172)
	Balance at end of year	-	-	2 408 347	4 005 204

The Group purchased treasury bills from the secondary market which were assets classified as 'at fair value through other comprehensive income'. The bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 years.

		COMPANY		GROUP	
		31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
22.4	**Retained income**				
	Balance at beginning of year	38 437 793	30 400 724	18 409 286	4 205 559
	Profit attributable to equity holders of parent	12 846 764	10 178 630	14 414 613	9 947 438
	Transfer from general reserves in respect of regulatory reserve for doubtful debts (note 22.3.1)	-	-	259 630	5 146 082
	Transfer from property revaluation reserve (note 22.3.2)	-	-	433 582	-
	Transfer from other reserves [3](notes 22.3.1 and 22.5)	-	-	(648 066)	1 251 768
	Dividends paid	(1 982 253)	(2 141 561)	(1 982 253)	(2 141 561)
	Balance at end of year	49 302 304	38 437 793	30 886 792	18 409 286
22.5	**Non-controlling interest**				
	Balance at beginning of year	-	-	20 287 288	19 561 899
	Profit attributable to non controlling interest	-	-	1 098 160	1 483 473
	Increase / (decrease) on revaluation of property	-	-	46 208	(9 266)
	Transfer from other reserves[4]	-	-	104 907	(516 229)
	Regulatory reserve in respect of doubtful debts	-	-	8 197	-
	Dividends paid	-	-	(422 893)	(232 589)
	Balance at end of year	-	-	21 121 867	20 287 288

[3] The transfer from other reserves is in respect of reduction in property revaluation and investment fluctuation reserves.

[4] The transfer from other reserves is in respect of reduction in property revaluation and investment fluctuation reserves.

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GROUP	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
22.6 Tax effect relating to each component of other comprehensive income			
2017			
Gain on property revaluation	217 483	(29 217)	188 266
Fair valuation on available for sale financial assets	(2 150 649)	553 792	(1 596 857)
	(1 933 166)	524 575	(1 408 591)
2016			
(Losses) / gains on property revaluation	(509 193)	24 085	(485 108)
Fair valuation on available for sale financial assets	256 979	(66 172)	190 807
	252 214	(42 087)	294 301

23. SHARE BASED PAYMENTS

There were no share based payments or share option schemes that were currently active as at the reporting date.

A dividend distribution vehicle for staff, the ZB Financial Holdings Staff Trust, is in place and holds 5 273 438 shares of the issued share capital of the Company.

	COMPANY		GROUP	
	2017 US$	2016 US$	2017 US$	2016 US$
24. NET INTEREST AND RELATED INCOME				
24.1 Interest and related income				
Interest and related income comprises interest on:				
Advances	-	-	6 987 227	9 502 816
Mortgages	-	-	1 703 189	1 316 903
Overdraft accounts	-	-	1 561 749	1 969 039
Trading income	-	-	12 955 344	13 592 781
Cash and short-term funds	-	-	544 963	320 828
Loans to other banks	-	-	484 588	674 422
Other	-	-	582 691	209 637
Total interest and related income	-	-	24 819 751	27 586 426

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

		COMPANY		GROUP	
		2017 US$	2016 US$	2017 US$	2016 US$
24.2	Interest and related expenses				
	Interest and related expenses comprise interest on:				
	Retail deposits	-	-	604 482	1 196 004
	Fixed deposits	-	-	5 724 659	7 391 685
	Short-term funds	-	-	-	9 000
	Other interest payable categories	-	-	683 528	2 253 506
	Total interest and related expenses	-	-	7 012 669	10 850 195
	Net interest and related income	-	-	17 807 082	16 736 231
25.	NET INSURANCE PREMIUM INCOME				
25.1	Gross insurance premium income				
	Reinsurance business				
	Facultative premium	-	-	12 846 480	10 120 025
	Treaty premium	-	-	6 252 152	9 010 040
		-	-	19 098 632	19 130 065
	Life assurance business				
	Premium – single	-	-	293 457	394 425
	Premium – recurrent	-	-	11 405 434	10 325 296
		-	-	11 698 891	10 719 721
	Gross insurance premium income	-	-	30 797 523	29 849 786
25.2	Insurance expenses				
	Reinsurance business				
	Gross premium retroceded	-	-	8 081 097	5 225 117
	Movement in provision for unexpired risk	-	-	(570 595)	9 957
	Movement in provision for outstanding claims	-	-	(102 055)	180 304
	Net claims paid	-	-	5 409 069	6 678 478
	Commissions and fees	-	-	3 103 436	4 002 362
		-	-	15 920 952	16 096 218

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For the year ended 31 December 2017

		COMPANY		GROUP	
		2017 US$	2016 US$	2017 US$	2016 US$
25.2	Insurance expenses (continued)				
	Life assurance business				
	Death and disability benefits	-	-	2 195 065	2 013 135
	Maturities	-	-	162 002	129 917
	Annuities	-	-	168 203	288 399
	Surrenders and Group pension withdrawals	-	-	2 190 032	2 033 856
	Reassurance premium cost	-	-	577 342	492 613
		-	-	5 292 644	4 957 920
	Total insurance expenses	-	-	21 213 596	21 054 138
	Net insurance premium income	-	-	9 583 927	8 795 648
26.	OTHER OPERATING INCOME				
	Commission and fees	-	-	37 797 578	34 625 351
	Exchange income	-	-	463 435	448 000
	Dividends from investment securities	4 189 334	1 774 131	3 798 703	684 174
	Profit / (loss) on disposal of property and equipment	-	-	41 121	(32 042)
	Rent received	-	-	962 616	1 156 449
	Cost recovery for shared services	7 497 971	8 285 054	-	-
	Management fees	553 849	324 036	-	-
	Other	-	-	2 503 582	1 645 175
		12 241 154	10 383 221	45 567 035	38 527 107
27.	FAIR VALUE ADJUSTMENTS				
	On financial instruments (note 9.3)	742 920	179 051	3 012 001	1 214 965
	On investment properties (note 12)	29 000	2 000	(282 372)	(813 052)
	On investment property held for sale (note 15)	-	-	-	(162 100)
	On investment in subsidiaries (note 10.2)	8 583 446	8 511 331	-	-
		9 355 366	8 692 382	2 729 629	239 813

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	COMPANY		GROUP	
	2017 US$	2016 US$	2017 US$	2016 US$
28. OPERATING EXPENSES				
Commission and fees	-	-	1 692 986	1 506 475
Staff expenses	3 914 152	3 400 221	21 862 204	20 165 338
Communication expenses	116 510	123 893	884 926	614 968
National Social Security Authority expenses	77 047	73 847	376 164	275 250
Pension fund expenses	225 249	287 403	1 249 095	1 287 869
Computers and information technology expenses	232 597	796 519	2 198 757	2 496 411
Occupation expenses	639 874	875 542	4 226 235	4 942 331
Transport expenses	274 845	330 799	999 873	1 109 648
Travelling expenses	204 390	250 437	611 688	619 310
Depreciation of property and equipment	123 183	144 826	2 474 271	2 611 709
Amortisation of intangible assets	21 434	23 343	2 452 329	2 946 883
Impairment of property and equipment	-	-	-	5 713
Administration expenses	1 540 090	2 323 300	11 434 114	10 383 252
Directors fees	58 142	58 415	474 989	498 858
	7 427 513	8 688 545	50 937 631	49 464 015
Included in administration expenses are the following:				
Auditors' remuneration	59 243	54 934	439 304	492 262
- for current year audit	19 214	22 619	131 123	195 671
- for half year review	3 711	17 480	153 475	158 839
- for prior year final	36 318	14 835	154 706	137 752
29. INCOME TAX EXPENSE				
Current income tax	-	-	2 070 455	794 225
Deferred tax expense	1 153 092	538 536	1 266 910	600 400
	1 153 092	538 536	3 337 365	1 394 625

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2016: 25.75 per cent) of the estimated taxable profit for the year.

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	COMPANY		GROUP	
	2017 US$	2016 US$	2017 US$	2016 US$
29. INCOME TAX EXPENSE (continued)				
Reconciliation of current income tax				
Profit before taxation	13 999 856	10 717 166	18 850 138	12 825 536
Expected tax on profits at basic rates	3 604 963	2 759 670	4 853 910	3 302 575
Increase / (reduction) arising from:				
- Exempt income	(1 078 754)	(456 839)	(7 161 454)	(3 778 976)
- Expenditure not allowed	180 229	101 453	(580 189)	16 620
- General provisions and deferred income	-	-	1 018 254	682 262
- Capital allowances in excess of depreciation	37 239	43 304	6 067 012	2 307 000
- Prepaid expenses	-	-	(280 322)	(4 445)
-Assessed losses utilised	301 548	140 242	343 922	230 423
- Fair value adjustments	(1 892 133)	(2 049 294)	(923 768)	(1 360 834)
	1 153 092	538 536	3 337 365	1 394 625

30. EARNINGS PER SHARE

GROUP

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted earnings per share for the year ended 31 December 2017 of US9.15 cents (2016: US6.32 cents) is based on the attributable profit after tax of US$14 414 613 (2016: US$9 947 438) and weighted average number of shares of 157 522 902 (2016: 157 522 902).

COMPANY

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted earnings per share for the year ended 31 December 2017 of US8.16 cents (2016: US6.46 cents) is based on the attributable profit after tax of US$12 846 764 (2016: US$10 178 630) and weighted average number of shares of 157 522 902 (2016: 157 522 902).

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
31. CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES				
Net cash from operating activities				
Profit before taxation	13 999 856	10 717 166	18 850 138	12 825 536
Non cash items:				
-Fair value adjustments on investment in subsidiaries (note 10.2)	(8 583 446)	(8 511 331)	-	-
-Fair value adjustments on equity investments (note 9.3)	(742 920)	(179 051)	(3 012 001)	(1 214 965)
-Fair value adjustments on investment properties (note 12.1)	(29 000)	(2 000)	282 372	813 052
-Fair value adjustments on non current assets held for sale (note 15)	-	-	-	162 100
-Exchange (gains) / losses on bank balances and unlisted equities (note 9.3)	-	-	(1 710)	627
-Depreciation of property and equipment	123 183	144 826	2 474 271	2 611 709
-Interest received (note 24.1)	-	-	(24 819 751)	(27 586 426)
-Interest paid (note 24.2)	-	-	7 012 669	10 850 195
-Dividend received	(4 189 334)	(1 774 131)	(3 798 703)	(684 174)
-Amortisation of intangible assets	21 434	23 343	2 452 329	2 946 883
-Impairment of property and equipment	-	-	-	5 713
-Gain on disposal of equipment	-	-	(41 121)	32 042
-Gain on disposal of investments	-	-	(141 572)	-
-Share of associate companies profit / (loss)	169 151	(330 108)	(656 922)	2 302 919
Operating cash flows before Changes in working capital funds	768 924	88 714	(1 400 001)	3 065 211
Operating cash flows before changes in working capital funds	768 924	88 714	(1 400 001)	3 065 211
Changes in working funds:				
Reduction in short term borrowings	(838 025)	(12 267 131)	-	-
Increase in money markets investments	-	-	(35 330 971)	(12 487 810)
Decrease / (increase) in other assets	53 758	(580 724)	(4 384 491)	14 567 489
(Increase) / Decrease in advances and other accounts	-	-	(5 776 680)	384 889
Increase in deposits and other accounts	-	-	72 239 709	5 574 806
(Decrease) / Increase to amounts clearing to other banks	-	-	(3 135 361)	2 529 150
(Decrease) / increase in other liabilities	(812 156)	4 714 218	2 795 454	4 003 246
Increase in life assurance funds	-	-	3 561 431	477 350
Effects of exchange gains	-	-	463 435	448 000
Fair value (losses) / gains on available for sale financial instruments	-	-	(2 150 649)	256 979
Net cash (used in) / generated from operating activities	(827 499)	(8 044 923)	26 881 876	18 819 310

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32. RELATED PARTY TRANSACTIONS

Transactions between the Group and other non-subsidiary related parties are carried out at arm's length and follow the normal vetting processes as established in the Group.

32.1 Intercompany balances

The following balances represent the extent of intercompany business as at the reporting date.

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
32.1.1 Balances owing to subsidiary companies	18 313 649	17 764 336	-	-
32.1.2 Balances due from subsidiary companies	10 605 956	9 137 121	-	-
32.1.3 Income received from subsidiary companies	8 121 671	8 171 700	-	-

Intercompany balances are generally settled on a net basis over a three month cycle. Balances relating to shared expenses are settled on an on-going basis when they arise. Interest is charged on balances remaining unsettled at ruling rates.

32.1.4 Deposits from related parties

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Balances with National Social Security Authority (NSSA)	-	-	180 000	2 147 000
Balances with ZBFH Pension Fund	-	-	4 178 171	4 739 792
	-	-	4 358 171	6 886 792

NSSA is identified as a related party to the Group in the sense that it owns a significant shareholding (37.79%) in the issued share capital of the Holding company.

The ZBFH Pension Fund is considered a related party due to the fact that it is a post employment benefit plan for the benefit of the Group's employees and its activities are administered under the same common control as the Group.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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32.1.5 Lending to other related parties

Also included in advances and other accounts is the following exposures to employees of the Group:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Loans to employees	-	-	7 377 110	5 130 616

Loans to employees are carried at amortised cost, at interest rates ranging from 6% to 12% p.a and with repayment periods of one year to six years. The loans are fully secured against terminal benefits, and hence no allowance has been made for impairment.

Outside lending to staff transacted in terms of general conditions of employment, there were no other advances made to related parties.

32.2 Remuneration of directors and key management personnel

The remuneration of directors and key management personnel of the Group, is set out below:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Directors' remuneration				
- fees by the Holding Company	58 142	58 415	58 142	58 415
- fees by subsidiaries	-	-	416 847	440 443
Short term employee benefits to key management	-	-	2 986 220	3 018 613
	58 142	58 415	3 461 209	3 517 471

Key management includes members of the Group's Executive Committee, subsidiary companies management and holders of strategic position in the general management grade. Total number of staff included in those grades equaled 24 (2016: 24).

The Group has no material post-employment benefits or other long term benefits including share-based payments or terminal benefits of any other form.

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	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
33. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS				
33.1 Contingent liabilities				
In respect of treasury bills held in trust on behalf of customers (see note 7.4)	-	-	1 573 494	2 615 504
In respect of guarantees (see note 8.1)	-	-	13 565 238	5 508 563
	-	-	15 138 732	8 124 067
33.2 Capital commitments				
In respect of expenditure authorised and contracted	-	-	582 530	630 527
In respect of expenditure authorised but not contracted	-	-	15 149 093	4 014 400
	-	-	15 731 623	4 644 927

Capital commitments will be funded from operating cash flows.

33.3 Legal contingencies

The Company acquired a controlling interest in Intermarket Holdings Limited (IHL) between 2006 and 2007 through a series of transactions that provided a rescue package to deal with liquidity and solvency challenges that affected IHL at the time. Transnational Holdings Limited (THL), previously a controlling shareholder in IHL, has been contesting this acquisition since 2007 and the matter remains to be resolved at the Supreme Court having been determined in favour of the Company at the High Court of Zimbabwe in 2008.

In May 2016, the Government of Zimbabwe, then a significant shareholder in the Company, brokered a resolution framework in which it ceded part of their shareholding on the understanding that the Company would allocate another parcel of shares to THL. The latter proposal was rejected by the Shareholders resulting in the need for an alternative resolution framework to be developed. Any chosen framework might have an impact on the financial statements or disclosures attached thereto. The Board is currently exploring various means to resolve the matter.

A resolution framework including the possible unbundling of the contentious assets is a possibility. Should that be the preferred route this could lead to considerations to account for the contentious assets in terms of International Financial Reporting Standard ("IFRS") 5 – Non-current Assets Held for Sale and Discontinued Operations. Through a series of technical consultations, management are satisfied that as at year end, any proposed means of resolving the matter had not triggered the requirements of IFRS 5 hence the contentious assets were fully consolidated in these financial statements.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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34. OPERATING LEASE COMMITMENTS

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 2 and 4 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
No later than 1 year	425 580	425 580	532 626	2 024 396
Later than 1 year and no later than 5 years	1 702 320	1 702 320	5 770 521	5 723 822

35. PENSION ARRANGEMENTS

All permanent staff, other than those over age, are contributory members of the following independently administered pension funds which are defined contribution plans:

35.1 ZB Financial Holdings Limited Pension Fund:

All members of the Group, except for those under the ZB Life Pension Fund, belong to a Defined Contribution scheme which is administered separately and whose assets are under the control of a board of trustees. The Company makes full contributions of 12.9% of pensionable earnings for managerial employees and 7.7% for non managerial employees. The pension fund had a membership of 650 as at 31 December 2017 (2016: 640 members).

35.2 ZB Life Pension Fund:

All eligible employees are members of ZB Life Assurance Limited defined contribution pension scheme administered by the Company. The Company makes full contributions of 18% of pensionable earnings for managerial employees and 12% for non managerial employees who then contribute 6% to make a total contribution of 18%. The pension fund had a membership of 61 as at 31 December 2017 (2016: 62 members).

The Group's liability in respect of the fund is limited to the level of contributions at the rates specified in the rules of the plans.

35.3 National Social Security Authority

This Defined Contribution scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% of pensionable emoluments (2016: 3.5%) per month per employee.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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35.4 Contributions by the Group to pension arrangements:

Total expenses recognised in the statement of profit or loss in relation to the pension arrangements amounted to the following:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Payments to the ZB Financial Holdings Limited Pension Fund	225 249	287 403	1 249 095	1 287 869
Payments to the ZB Life Pension Fund	-	-	181 089	175 910
Payments to the National Social Security Authority	77 047	73 847	376 164	275 250
Total expense	302 296	361 250	1 806 348	1 739 029

36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments held by the Group are analysed as per notes 6 to 9.

36.1 Capital risk management

The primary objectives in managing capital at the Group are:

- To guarantee the ability of entities within the Group to continue as going concerns whilst providing an equitable return to the Group's shareholders and benefit to customers and other stakeholders.
- To maintain a strong fall back position which is commensurate with the level of risk undertaken by the entities within the Group in the normal course of their business.
- To comply with the regulatory capital requirements as prescribed by relevant authorities.

The Group's capital consists of equity attributable to the shareholders of the parent Company, comprising the issued share capital, reserves and retained income as disclosed in note 22 (all referred to as shareholders equity) and debt, which includes direct loans plus the residual funding from deposit taking activities after deducting the associated liquidity buffer (referred to as operational funding).

The Group's operating target is to maintain operating assets at a level that is lower than the available operating funds at all times in order to restrict recourse on shareholders' equity for operational funding. Whilst this objective was met during the course of the period under review, gearing was maintained at above 18%, after a borrowing in 2015 with a maturity value of US$20 million in 2025. This was necessitated by the need to augment capital resources in the Banking operations which are expected to comply with an increased capital requirement of US$100 million by the end of 2020.

The gearing level, and the loan instrument used (see note 20) is considered comfortable for the Group's operations and is not expected to cause a strain in cash resources in the foreseeable future.

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36.1 Capital risk management (continued)

The banking and insurance operations in the Group are subject to prescribed minimum regulatory capital requirements and minimum capital adequacy and solvency ratios as prescribed from time to time.

Management of the Group monitors the level of capital adequacy on a continual basis, employing techniques adopted from the guidelines developed by the Basel Committee and contained in the Basel II capital accord as implemented by the supervisory authorities for each of the affected entities. For the life assurance business, regular actuarial reviews are undertaken to establish the solvency of the business.

An Internal Capital Adequacy Assessment Plan (ICAAP) has been developed for Banking operations and defines capital targets which are generally set above regulatory levels, stress test scenarios and risk appetite across different lines of operations.

36.2 Financial risk management

The Group maintains active trading positions in a variety of non-derivative financial instruments in anticipation of customer demand. The Group manages its trading activities by the type of risk involved and on the basis of the categories of trading instruments held. Regular feedback on risk related matters is provided to the Board through the Board Risk Committee.

The Group defines financial risk collectively to include liquidity risk, market risk and credit risk.

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36.2.1 Fair values and risk management – accounting classification and fair values

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for
financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of fair value.

31 December 2017		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at fair value US$	Loans and receivables US$	Other financial liabilities US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value									
Equity securities	9	14 638 578	-	-	14 638 578	14 638 578	-	-	14 638 578
Government public utility stock	9	12 383 151	-	-	12 383 151	-	-	12 383 151	12 383 151
Unit trusts	9	576 360	-	-	576 360	-	576 360	-	576 360
Unlisted equity investments	9	4 752 206	-	-	4 752 206	-	-	4 752 206	4 752 206
Total		32 350 295	-	-	32 350 295				
Financial assets not measured at fair value									
Trade and other receivables	11	-	1 862 474	-	1 862 474				
Cash and cash equivalents	5	-	106 816 218	-	106 816 218				
Total		-	108 678 692	-	108 678 692				
Financial liabilities not measured at fair value									
Trade and other payables	17	-	(30 134 215)	-	(30 134 215)				
Total		-	(30 134 215)	-	(30 134 215)				

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36.2.1 Fair values and risk management – accounting classification and fair values (continued)

31 December 2016		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at fair value US$	Loans and receivables US$	Other financial liabilities US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value									
Equity securities	9	5 134 100	-	-	5 134 100	5 134 100	-	-	5 134 100
Government public utility stock	9	4 570 234	-	-	4 570 234	-	-	4 570 234	4 570 234
Unit trusts	9	513 383	-	-	513 383	-	513 383	-	513 383
Unlisted equity investments	9	4 384 298	-	-	4 384 298	-	-	4 384 298	4 384 298
Total		14 602 015	-	-	14 602 015				
Financial assets not measured at fair value									
Trade and other receivables	11	-	3 841 129	-	3 841 129				
Cash and cash equivalents	5	-	82 193 499	-	82 193 499				
Total		-	86 034 628	-	86 034 628				
Financial liabilities not measured at fair value									
Trade and other payables	17	-	-	(27 338 760)	(27 338 760)				
Total		-	-	(27 338 760)	(27 338 760)				

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36.2.2 Valuation techniques for securities held at fair value

36.2.2.1 Level 1 valuation

Listed equity investments are valued in relation to prices ruling at the stock market at which the stock is listed at the close of business on 31 December 2017.

36.2.2.2 Level 2 valuation

These investments are valued using inputs other than quoted prices which are observable for the asset. The unit trust investments are valued in relation to gold prices on the international market.

36.2.2.3 Level 3 valuation

Unlisted investments were valued at net asset value. In applying this method judgement was used. The following factors are relevant in understanding the basis:

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Net Asset Value: The valuation model determines the fair value of investment securities (non-listed entities) with reference to the net asset value, which was determined by the directors as a proxy valuation method. The market approach as prescribed by IFRS 13 – Fair valuation requires the identification of a similar or identical quoted assets with similar risk profiles. A discounted approach cash flow technique or earnings may have been used to value such investments by identifying a risk-adjusted discount rate and maintainable earnings (earnings-multiple approach). The market and income approaches may not be appropriate for valuing non-listed entities in the Zimbabwean environment as a result of the lack of comparative quoted equity instruments as well as the absence of market data relating to historical correlation of unquoted equity instruments in similar industries and market related discounts.	The fair values of investment securities are based on net asset values which make use of the net movements in the assets and liabilities of investee entities. Net asset values have been verified by independent auditors, but are not observable from market data.	The estimated fair value would increase or decrease due to the following: • Increase or decrease in fair value or historical cost adjustments of underlying assets and liabilities held by investees. • Decrease as a result of economic obsolescence of underlying assets. • Financial performance of the investee.

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36.2.2 Definition of financial risk

The Group defines financial risk collectively to include liquidity risk, market risk and credit risk.

36.2.2.1 Liquidity risk

Definition

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes the risk of being unable to fund liabilities at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Identification techniques

This risk is identified through gap and maturity analysis.

Measurement methods

Liquidity risk is measured using the gap analysis techniques and the term structure of assets and liabilities.

Impact evaluation

Liquidity risk is considered moderate for the Group despite the pervasive negative mismatch of assets and liabilities in all time brackets and a generally illiquid market out turn which makes the mobilization of funds difficult in the event of adverse systemic events occurring on the market. The liquidity position exhibits resilience and is capable of sustaining more than a 15% fall in liquid assets.

The Group maintained levels of liquid resources at acceptable levels throughout the year.

Strategies for management/mitigation

The Group has access to a diverse funding base and can raise funds using a broad range of instruments including deposits, liabilities evidenced by paper and share capital. The Group has funding flexibility and this limits dependence on any one source of funding.

Liquidity risk is managed by Group Treasury in consultation with the Assets and Liabilities Committee (ALCO).

Monitoring and controlling mechanisms

The funding gap is monitored through a number of management reports including maturity profiles. The Group continually assesses risk by identifying and monitoring changes in funding required to meet business objectives and targets set in terms of the overall Group strategy. Other tools used are the imposition of dealer limits, reporting on facility utilizations and excesses that require management attention.

Adequacy and effectiveness of risk management systems

The liquidity risk management and control mechanisms in place are adequate, effective and are adhered to by all staff members.

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36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity gap analysis
as at 31 December 2017

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/(outflow) US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	100 798 225	9 500 000	-	-	110 298 225	106 816 218
Money market investments	1 190 356	2 638 554	-	-	3 828 910	3 538 998
Treasury bills	-	21 856 412	36 459 598	122 830 411	181 146 421	155 945 191
Mortgages and other advances	29 507 166	15 728 361	17 213 473	56 453 819	118 902 819	104 970 338
Investment securities	-	-	-	36 713 113	36 713 113	36 713 113
	131 495 747	49 723 327	53 673 071	215 997 343	450 889 488	407 983 858
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(285 496 799)	(71 203 517)	(9 539 001)	(9 597 265)	(375 836 582)	(347 105 859)
Trade and other payables	(24 307 482)	(5 254 630)	(234 035)	(15 222 659)	(45 018 806)	(30 134 215)
Long term loan	-	-	-	(13 942 891)	(13 942 891)	(13 942 891)
	(309 804 281)	(76 458 147)	(9 773 036)	(38 762 815)	(434 798 279)	(391 182 965)
Period gap	(178 308 534)	(26 734 820)	43 900 035	177 234 528	16 091 209	16 800 893
Cumulative gap	(178 308 534)	(205 043 354)	(161 143 319)	16 091 209	-	-

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36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity gap analysis
as at 31 December 2016

The tables below set out the remaining contractual maturities of the Group's financial assets and financial liabilities.

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/(outflow) US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	80 659 393	3 466 594	-	-	84 125 987	82 193 499
Money market investments	4 770 542	2 180 715	-	-	6 951 257	5 519 513
Treasury bills	-	17 012 439	18 702 671	94 667 057	130 382 167	118 633 706
Mortgages and other advances	41 135 008	13 439 282	17 724 509	51 780 293	124 079 092	99 193 658
Investment securities	-	-	-	20 398 857	20 398 857	20 398 857
	126 564 943	36 099 030	36 427 180	166 846 207	365 937 360	325 939 233
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(212 959 233)	(38 629 373)	(2 770 377)	(39 259 171)	(293 618 154)	(275 272 254)
Amounts due to other banks	(3 135 361)	-	-	-	(3 135 361)	(3 135 361)
Trade and other payables	(6 267 719)	(8 138 216)	-	(12 932 825)	(27 338 760)	(27 338 760)
Long term loan	-	-	-	(13 536 787)	(13 536 787)	(13 536 787)
	(222 362 313)	(46 767 589)	(2 770 377)	(65 728 783)	(337 629 062)	(319 283 162)
Period gap	(95 797 370)	(10 668 559)	33 656 803	101 117 424	28 308 298	6 656 071
Cumulative gap	(95 797 370)	(106 465 929)	(72 809 126)	28 308 298	-	-

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	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
36.2.2.1 Liquidity risk (continued)				
Liquidity ratios				
Total liquid assets	-	-	266 300 407	206 346 718
Total liabilities to the public	-	-	347 105 859	275 272 254
Liquidity ratio	-	-	76.72%	74.96%
Average for the year	-	-	70%	72%
Maximum for the year	-	-	72%	76%
Minimum for the year	-	-	64%	68%
Minimum statutory liquidity ratio	-	-	30%	30%

Regulated banking operations, ZB Bank Limited and ZB Building Society reported liquidity ratios that were above the minimum regulated ratios as follows:

	31 Dec 2017	31 Dec 2016
ZB Bank Limited	73%	73%
ZB Building Society	93%	83%

36.2.3 Market risk

Market risk arises from adverse movements in the market place which cause interest rate, foreign exchange rate and equity price fluctuations in the markets in which the Group operates.

36.2.3.1 Interest rate risk

Definition

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's business strategies.

Identification techniques

Interest rate risk is identified using the term structure of assets and liabilities.

Measurement methods

Rate sensitive assets and liabilities are analyzed and a maturity profile established.

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36.2.3.1 Interest rate risk (continued)

Impact evaluation

The Group has evaluated this risk as moderate. Adequate systems are in place to ameliorate the risk.

Strategies for management / mitigation

The Assets and Liabilities Committee (ALCO) reviews the gap analysis and appropriate action is taken to keep risk within acceptable limits. Lending is linked to the Group's prime rate and is funded through short-term borrowings thus narrowing the gap.

Monitoring and controlling mechanisms

ALCO meets regularly to discuss the future direction of interest rates after the economic fundamentals have been analysed. Decisions are then taken on rate sensitive assets and liabilities. If economic fundamentals turn out differently, ad-hoc ALCO meetings are convened to discuss the said issues and chart a way forward.

Adequacy and effectiveness of risk management systems

The interest rate risk management systems noted above are adequate and effective in dealing with the interest rate risk.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2017	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
Interest rate gap analysis as at 31 December 207					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	37 902 953	-	-	-	37 902 953
Money market investments	3 438 998	100 000	-	-	3 538 998
Mortgages and other advances	29 344 050	14 329 186	16 054 809	45 242 293	104 970 338
Treasury bills	-	21 404 006	36 082 892	98 458 293	155 945 191
	70 686 001	35 833 192	52 137 701	143 700 586	302 357 480
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(257 843 360)	(70 786 624)	(9 530 059)	(8 945 816)	(347 105 859)
	(257 843 360)	(70 786 624)	(9 530 059)	(8 945 816)	(347 105 859)
Period gap	(187 157 359)	(34 953 432)	42 607 642	134 754 770	(44 748 379)
Cumulative gap	(187 157 359)	(222 110 791)	(179 503 149)	(44 748 379)	-

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36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2016	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
Interest rate gap analysis as at 31 December 2016					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	33 499 654	-	-	-	33 499 654
Money market investments	2 658 043	2 861 470	-	-	5 519 513
Mortgages and other advances	41 162 653	10 635 835	16 461 641	30 933 529	99 193 658
Treasury bills	-	15 324 946	16 847 522	86 461 238	118 633 706
	77 320 350	28 822 251	33 309 163	117 394 767	256 846 531
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(221 249 721)	(40 522 773)	(2 748 777)	(10 750 983)	(275 272 254)
	(221 249 721)	(40 522 773)	(2 748 777)	(10 750 983)	(275 272 254)
Period gap	(143 929 371)	(11 700 522)	30 560 386	106 643 784	(18 425 723)
Cumulative gap	(143 929 371)	(155 629 893)	(125 069 507)	(18 425 723)	-

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36.2.3.1 Interest rate risk (continued)

Sensitivity analysis

A 2% change in the rate for rate sensitive assets would result in the reported profits increasing or decreasing by US$5.3 million (2016: US$3.8 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits increasing or decreasing by US$6.9 million (2016: US$4.1 million).

36.2.3.2 Foreign exchange risk

Definition

Foreign exchange risk is the risk that arises from adverse changes in foreign exchange rates and emanates from a mismatch between foreign currency inflows and outflows.

Identification techniques

The risk is identified through the analysis of the Group's open foreign exchange positions.

Measurement methods

The risk is measured through the Group's open foreign exchange positions.

Impact evaluation

The Group has evaluated this risk as moderate in view of the low volumes traded and the multi-currency environment.

Strategies for management/mitigation

The risk is managed through ALCO directives, compliance with the requirements of the Reserve Bank of Zimbabwe and market analysis techniques.

Monitoring and controlling mechanisms

The risk is controlled through the use of dealer limits placed on the overall foreign exchange position.

Adequacy and effectiveness of risk management system

Management is confident that the foreign exchange risk management systems in place are adequate, effective and are complied with in all material respects by all staff members.

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36.2.3.3 Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 31 December 2017 were as follows:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Botswana pula	-	-	167 057	515 226
British pound	-	-	375 480	246 671
Malawian kwacha	-	-	474	489
Euro	-	-	638 200	764 185
South African rand	-	-	1 794 984	2 413 041
Zambian kwacha	-	-	359	351
Total assets	-	-	2 976 554	3 939 963
Botswana pula	-	-	(280 465)	(155 960)
British pound	-	-	(46 264)	(60 001)
Euro	-	-	(20 767)	(35 347)
South African rand	-	-	(2 897 397)	(2 676 992)
Total liabilities	-	-	(3 244 893)	(2 928 300)
	-	-	(268 339)	1 011 663

The Group's main exposure to foreign currency risk arises from the commitments for licence and support fees for information technology platforms that were sourced from foreign suppliers.

Sensitivity analysis

A 10% change in exchange rates would result in the reported profit being reduced or increased by US$19 924 [2016: US$75 116] and equity being reduced or increased by US$26 837 [2016: US$101 166].

36.2.3.4 Equity price risk

Definition

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments that derive their value from a particular equity investment or index of equity prices.

Identification techniques

The Group tracks the performance of all its equity investments using the price listings from Zimbabwe Stock Exchange on a daily basis.

Measurement methods

Based on the price lists from the members of the Zimbabwe Stock Exchange, the Group quantifies the risk.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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36.2.3.4 Equity price risk (continued)

Impact evaluation

Equity price risk is assessed as moderate. Trends on the Zimbabwe Stock Exchange have not been easily predictable while current exit prices would crystallize losses on the statement of financial position.

Strategies for management / mitigation

The Group manages its exposure to equity price risk by maintaining a diversified portfolio.

Adequacy and effectiveness of risk management system

The risk management system has proved adequate and effective in managing equity price risk.

Sensitivity analysis

A 10% increase / decrease in the value of listed shares as at 31 December 2017 would result in an increase / decrease of US$1 526 874 (2016: US$495 415) to the reported Group's profit and an increase / decrease of US$1 542 297 (2016: US$500 419) in equity.

36.2.4 Credit risk

Definition

Credit risk is the risk that a counter party will not honour its obligations to the Group as and when they become due.

Past due but not impaired loans:

Past due but not impaired loans are those for which interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms and the Group's forbearance policy:

Loans with renegotiated terms are loans that have been restructured due to the deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a risk of default, there is evidence that the debtor made all the reasonable effort to pay under the original contractual terms and it is expected to be able to meet revised terms.

The revised terms usually include extending maturity, changing timing of interest repayments and amendments to the terms of loan covenants.

Both retail and corporate loans are subject to the forbearance policy. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

The Group's Credit Committee regularly reviews reports on forbearance activities.

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36.2.4 Credit risk (continued)

Write off policy

The Group writes off a loan and any related allowances for impairment losses, when the Group's Bad Debts Review Committee determines 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 financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans write off decisions generally are based on a product specific past due status.

Identification techniques

Prior to granting facilities, the Group conducts an assessment proposal through a credit scoring system which classifies an account depending on points scored. Thereafter facilities extended to clients are reviewed on a regular basis and reclassified accordingly depending on actual performance.

Measurement methods

The risk is measured through assessing the risk of default using a credit risk-rating matrix.

Impact evaluation

Credit risk is rated high due to increased market wide company failures as well as apparently increased debt burden on individuals due to the proliferation of credit facilities.

Strategies for management / mitigation

The Group has a credit risk management process which operates through a hierarchy of exposure discretions. All exposures above a certain level require the approval of the Board Credit Committee which comprises executive and non-executive directors. Exposures below the Board Credit Committee's discretion are approved according to a system of tiered exposure discretions delegated to management committees.

A substantial portion of the Group's individual and corporate borrowings is insured for non-performance whilst security of various other forms is obtained for large exposures.

Monitoring and controlling mechanisms

Regular credit audits and reviews are conducted and problem accounts are highlighted and management action is taken as appropriate.

Adequacy and effectiveness of risk management systems

The credit risk management and control techniques alluded to above are adequate and effective and all staff members are required to adhere to them.

Financial guarantees

The Group has issued financial guarantees in respect of clients graded 1 to 4, and for which the maximum amount payable by the Group, assuming all guarantees are called on is US$13 565 238 (2016: US$5 508 563).

Sensitivity analysis

A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by US$8 095 343 (2016: US$6 156 058) and the total assets in the statement of financial position reducing by US$11 715 402 (2016: US$8 908 912).

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36.2.4 Credit risk (continued)

The table below shows the credit exposure by client quality classification:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Classification				
Good	-	-	113 547 853	87 839 062
Sub-standard	-	-	748 615	583 859
Doubtful	-	-	349 882	688 973
Loss	-	-	13 693 570	25 975 323
Total	-	-	128 339 920	115 087 217

Balances include guarantees which are reported as off balance sheet exposures.

The table below shows the Group's exposure to credit risk.

	Loans and advances to customers		Investment securities and treasury bills	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Gross advances	114 774 682	109 578 654	-	-
Treasury bills	-	-	155 945 191	118 633 706
Investment securities	-	-	16 745 969	10 547 076
Guarantees	13 565 238	5 508 563	-	-
Gross credit exposure	128 339 920	115 087 217	172 691 160	129 180 782
Less allowance for loan impairments	(7 616 803)	(6 684 196)	-	-
Less interest reserved	(2 187 541)	(3 700 800)	-	-
Carrying amount	118 535 576	104 702 221	172 691 160	129 180 782
Assets at amortised cost				
Non-performing - individually impaired				
Grade 8: Impaired	748 615	583 859	-	-
Grade 9: Impaired	349 882	688 973	-	-
Grade 10: Impaired	13 693 570	25 975 323	-	-
Gross amount	14 792 067	27 248 155	-	-
Allowance for:				
Impairment	(3 999 948)	(4 470 550)	-	-
Interest reserve	(1 797 199)	(3 595 738)	-	-
Carrying amount	8 994 920	19 181 867	-	-
Watch list - individually impaired:				
Grade 5: Impaired	1 762 272	1 793 021	-	-
Grade 6: Impaired	303 150	259 132	-	-
Grade 7: Impaired	280 441	339 090	-	-

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	Loans and advances to customers		Investment securities and treasury bills	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
36.2.4 Credit risk (continued)				
Gross amount	2 345 863	2 391 243	-	-
Allowance for:				
Impairment	(352 833)	(171 016)	-	-
Interest reserve	(390 343)	(105 062)	-	-
Carrying amount	1 602 687	2 115 165	-	-
Good book - collectively impaired				
Grades 1-4: Low– fair risk	109 546 331	85 447 819	-	-
Gross amount	109 546 331	85 447 819	-	-
Allowance for:				
Impairment	(1 608 362)	(2 042 630)	-	-
Carrying amount	107 937 968	83 405 189	-	-
Neither past due nor impaired:				
Grades 1-4: low– fair risk	-	-	160 308 009	124 610 548
	-	-	160 308 009	124 610 548
Total carrying amount at amortised cost	118 535 576	104 702 221	160 308 009	124 610 548
Assets at fair value through profit and loss:				
Neither past due nor impaired:				
Grade 1-4 low-fair risk	-	-	12 383 151	4 570 234
Carrying amount – fair value	-	-	12 383 151	4 570 234
Total carrying amount	118 535 576	104 702 221	172 691 160	129 180 782
Total carrying amount split as:				
included in the statement of financial position	104 970 338	99 193 658	172 691 160	129 180 782
Contingent assets	13 565 238	5 508 563	-	-
Total carrying amount	118 535 576	104 702 221	172 691 160	129 180 782

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36.3 Other business risks

36.3.1 Operational risk

Definition

Operational risk is inherent in all business activities and this is the potential of loss arising from deficiencies in internal control systems, poor operational standards, errors and deliberate acts of fraud and collusion to override internal control systems.

Identification techniques

The Board Audit Committee, through the medium of the internal audit function, assesses the efficacy of the internal accounting controls and makes recommendations for improvement to the Board of Directors.

Measurement methods

The risk is measured by the extent of loss due to system failure reported during the period.

Impact evaluation

The Group has assessed this risk category as medium based on the adequate internal control system.

Strategies for management / mitigation

The Group manages the risk through staff training and development, segregation of duties, reviewing the work performed and regular internal and independent audits. Further, the Group has administration manuals to guide staff in the execution of their duties and these manuals are reviewed regularly.

In addition, the Group has comprehensive insurance arrangements in place to mitigate the impact of any loss events.

Monitoring and controlling mechanisms

Any losses incurred as a result of this risk are reported through the line to the Board Audit Committee and lessons learnt from each incident are used as case studies in training staff, improving the control procedures and the control environment.

Adequacy and effectiveness of risk management systems

Management is confident that the operational risk management systems noted above are adequate, effective and are adhered to in all material respects by all staff members.

36.3.2 Legal, reputational and compliance risks

Definition

Legal risk is the risk that the Group can be involved in litigation resulting in loss of money and / or impaired reputation. Compliance risk refers to the risk of failure to comply with material rules, regulations and laws.

Identification techniques

All agreements entered into by the Group are reviewed by the Legal Department to make sure that they are consistent with normal market practices.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

36.3.2 Legal, reputational and compliance risks (continued)

Measurement methods

The Group has a Compliance Department which monitors and ensures that the Group is complying with all the rules, regulations and laws of the country in all material respects. The Group Compliance Officer reports to the Board Audit Committee on a quarterly basis on all compliance related issues.

Impact evaluation

The Group considers this risk medium based on the nature of litigation cases open at reporting date.

Strategies for management through mitigation

The Group manages this risk through staff training and development, regular and independent audits.

Monitoring and controlling mechanisms

Any losses incurred are reported to the Board Audit, Board Risk and Board Executive Committees. Lessons learnt are used in staff training to avoid recurrences.

Adequacy and effectiveness of the risk management system

The management system for legal, reputational and compliance risks is adequate and effective and all staff members adhere to the system.

36.3.3 Technological risk

Definition

This includes innovation, or the lack thereof, obsolescence, explosions and dependability of the technological platform.

Identification techniques

An Information Technology Committee which reviews developments and proposes enhancements to the technological platform is in place. The Group also has Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) and these are tested and maintained up to date. Access to computer systems is restricted to authorized personnel through a hierarchy of authority levels.

Impact evaluation

The Group considers this risk as low in view of the stability of the current technology platform, the in-house expertise that has been gained over the years and the strong support available from the system vendors.

Measurement methods

The Group measures the risk through setting and monitoring the maximum tolerances for system downtimes, ensuring that the reports are available at the appropriate times and generally that operational efficiency is being achieved.

Strategies for management/mitigation

The Group manages this risk through staff training and development, regular and independent audits. Issues are also escalated to the vendor as appropriate and these are always resolved expeditiously. Further, the Group updates BCPs and DRPs regularly and also conducts business continuity and disaster recovery tests twice per year.

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36.3.3 Technological risk (continued)

Monitoring and controlling mechanisms

The deadlines for the production of all reports are monitored strictly. Any system breakdowns are attended to and reported promptly to ensure that appropriate corrective action is instituted. The Group constantly reviews new technologies and adopts them where appropriate. All computer rooms are temperature controlled and well ventilated. Access is restricted to authorized persons only. There are various levels of access to the system based on the seniority of the officers concerned.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling technological risk is adequate and effective and all staff members adhere to the system.

36.3.4 Solvency risk

Definition

Solvency risk is the risk that the Group may incur liabilities that are far in excess of its ability to pay leading to financial distress.

Identification techniques

The Group strictly monitors the assets and liabilities and has set limits to the liabilities that can be incurred and the placements arising there from. The loan/deposit ratio is monitored regularly and corrective action instituted where appropriate.

Impact evaluation

The Group considers this risk medium as there are adequate systems of identifying, monitoring and controlling solvency risk. However, funding pressures remain pronounced whilst revenue expansion, as a source of funding, is constrained.

Measurement methods

The Group measures this risk through setting maximum levels for loan/deposit ratios and reviewing the relationship between liabilities and assets through maturity profiles and term structures.

Strategies for management/mitigation

The Group manages the risks through setting limits for the loan/deposit ratio and ensuring that these limits are not exceeded.

Adequacy and effectiveness of risk management systems

The management system for identifying, monitoring and controlling solvency risk is adequate and effective and all staff members adhere to the system.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

36.3.5 Underwriting risk

Definition

Underwriting risk in reinsurance business is the probability of losses incurred in a given reinsurance period exceeding premium in the corresponding period. On the other hand in life assurance business underwriting risk is the risk that the actual exposure to mortality and disability risks will exceed the best estimate of the statutory valuator, thereby causing financial loss.

Impact evaluation

The underwriting risk in reinsurance business would only materialize in the case of a catastrophe. The risk in case of a catastrophe has been reinsured and is limited to US$75 000 (2016: US$75 000) and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Measurement methods

In life assurance business, all applications for life and disability cover are assessed using sound underwriting techniques and methods, including HIV testing, where necessary. Mortality and disability investigations are periodically carried out and actuarial assumptions are adjusted accordingly.

Strategies for management/mitigation

In reinsurance business, this is normally mitigated by the purchase of reinsurance from the London insurance market annually. All mortality and disability risks above periodically determined retention levels are reassured with professional reassurance firms.

Details of underwriting risk in reinsurance business are as follows:

	COMPANY		GROUP	
	31 Dec 2017 US$	31 Dec 2016 US$	31 Dec 2017 US$	31 Dec 2016 US$
Total insurance risk before retrocession	-	-	6 000 000	6 000 000
Retroceded risk	-	-	(5 000 000)	(5 000 000)
Insurance risk after reinsurance	-	-	1 000 000	1 000 000

36.4 Risk rating

36.4.1 Regulatory risk rating

The Reserve Bank of Zimbabwe conducts regular offsite and onsite examinations of the institutions that it regulates. The last on-site examination of the Group was concluded on the 9th of December 2014 using data as at 30 September 2014.

Being a Bank Holding Group (BHG), the condition of ZB Financial Holdings Limited was assessed using the RFI/(C)D rating system which is an acronym for Risk Management; Financial Condition; Potential Impact of the parent Group and non-depository subsidiaries on the subsidiary depository institutions; Composite rating based on an evaluation and rating of its managerial and financial condition; and assessment of the subsidiary Depository institutions.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

36.4.1 Regulatory risk rating (continued)

ZB Bank Limited and ZB Building Society were assessed using the Risk Assessment System (RAS) and the CAMELS rating model.

The individual components of the rating systems were rated as follows:

RFI/(C)D/CAMELS/CEFM Component	Latest Rating	
	ZB Bank	ZB Building Society
Capital Adequacy	4	4
Asset Quality	4	2
Management	3	3
Earnings	4	3
Liquidity and Funds Under Management	2	2
Sensitivity to Market Risk	2	2
Composite rating	**4**	**3**

Key: 1 = Strong; 2 = Satisfactory; 3 = Fair; 4 = Weak; 5 = Critical

Summary of Risk Assessment

RAS Component	Latest Rating	
	ZB Bank	ZB Building Society
Aggregate inherent risk	High	Moderate
Quality of aggregate risk management systems	Acceptable	Acceptable
Overall composite risk	High	Moderate
Direction of overall composite risk	**Increasing**	**Stable[5]**

[5] "CAMELS" stands for Capital Adequacy Asset Quality Management Earnings, Liquidity management and Sensitivity to market risk

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

36.4.1 Regulatory risk rating(continued)

Overall Risk Matrix – ZB Bank Limited

Type of Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	High	Inadequate	High	Increasing
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Increasing
Operational Risk	High	Acceptable	Moderate	Stable
Legal & Compliance Risk	High	Inadequate	High	Increasing
Reputational Risk	High	Acceptable	High	Stable
Overall Risk	**High**	**Acceptable**	**High**	**Increasing**

Overall Risk Matrix – ZB Building Society

Type of Risk	Level of Aggregate Inherent Risk	Adequacy of Aggregate Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Low	Acceptable	Low	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Low	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	High	Increasing
Legal & Compliance Risk	High	Weak	High	Increasing
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall Risk	**Moderate**	**Acceptable**	**Moderate**	**Stable**

Interpretation of risk matrix

Level of Inherent Risk

Low - reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2017

36.4.1 Regulatory risk rating (continued)

Adequacy of Risk Management Systems

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.
High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk
Increasing- based on the current information, risk is expected to increase in the next twelve months.
Decreasing - based on current information, risk is expected to decrease in the next twelve months.
Stable- based on the current information, risk is expected to be stable in the next twelve months.

36.4.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR)[6] and the ratings for the last three (3) years were as follows:

Long-term debt rating scale:

Entity	2017	2016	2015
ZB Bank Limited	BB-	BB-	B+
ZB Building Society	BB	BB	BB
ZB Reinsurance Company	A-	A-	BBB+

The ratings for ZB Bank Limited and ZB Building Society expire in September 2018, whilst the rating for ZB Reinsurance expires in May 2018.

[6] GCR suspended short-term bank ratings in Zimbabwe from 2006 owing to the volatility of the economic environment. At the same time, all long-term ratings were placed on rating watch due to the resultant pricing risk attached to the potential roll-over of government debt, the impact that this would have on profitability across the sector and ultimately the ability to meet new capital requirements.

NOTES TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

37. COMPLIANCE WITH REGULATIONS

37.1 Regulatory capital requirements

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of US$25 million and US$20 million respectively as at 31 December 2017. ZB Building Society (ZBBS) did not meet these requirements as at 31 December 2017.

37.2 Corrective orders and regulatory penalties

Pursuant to a targeted corporate governance inspection, the Reserve Bank of Zimbabwe issued corrective orders on the Holding Company and ZB Bank Limited on 7 March 2017 in terms of Section 48(4) of the Banking Act (Chapter 24:20) in respect of:

a) identified governance deficiencies relating to the composition of the board,
b) an executive appointment deemed to be irregular for lack of regulatory approval
c) a decision made by the board to honour a dividend claim made by a shareholder, Transnational Holdings Limited, amounting to $658 699 which had the effect of increasing the dividends paid for the year ended 2015 beyond the level approved by shareholders at a general meeting.
d) a violation of Section 35(10) of the Banking Act (Chapter 24:20) in relation to terms of a short-term inter-company accommodation facility.

Total penalties amounting to $55 600 were paid in respect of the irregular executive appointment ($36 000) and the accommodation facility ($19 600).

Following a resolution of the shareholders at the general meeting held on 12 May, 2017, a refund claim has been raised for the dividend wrongly paid to Transnational Holdings Limited. Additionally, progress has been made to reconfigure the board in order to ensure that a balance is maintained between independent and non-independent members.

37.3 Other compliance issues

The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

38. SUBSEQUENT EVENTS

There were no material events between the period end and the date of reporting.

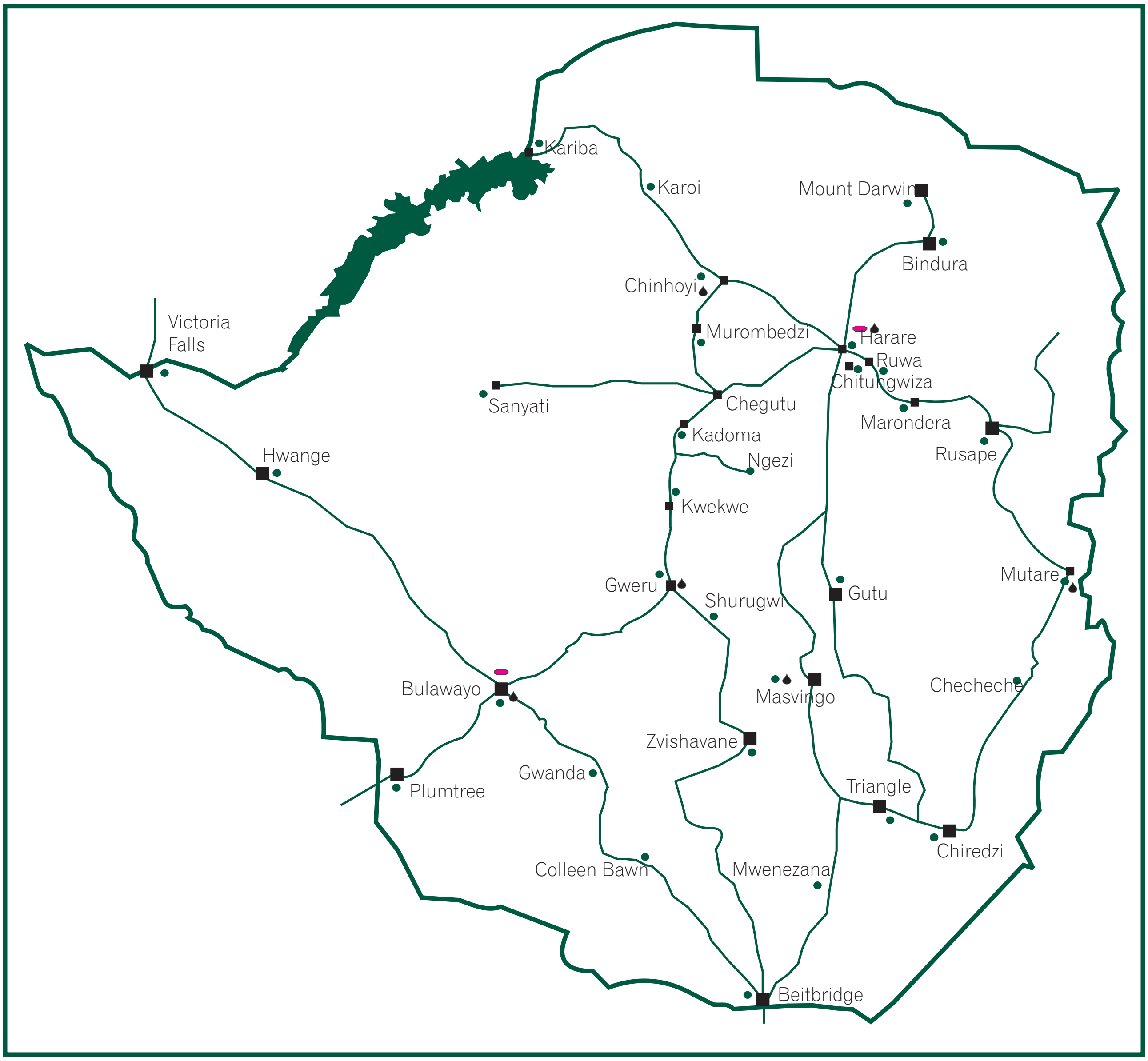
40. GOING CONCERN

The Board has reviewed budgets for 2018 and beyond and the cash flow projections for the Group. The Board does not have any reason to conclude that the Group will not be a going concern for the foreseeable future.

The going concern assumption has therefore been applied in the preparation of the financial statements.

ZB FINANCIAL HOLDINGS GROUP FOOTPRINT

For the year ended 31 December 2017



KEY

- Banking operations
- ZB Reinsurance
- ZB Life Assurance

NB: Banking operations include both ZB Bank and ZB Building Society.

ZB FINANCIAL HOLDINGS GROUP FOOTPRINT

For the year ended 31 December 2017

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Web address: www.zb.co.zw

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Bulawayo
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Fax: (09)75030,76032
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Head Retail Banking
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Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Electronic Banking
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Fax: (04) 751869

RETAIL BANKING UNITS

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Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Airport Branch
Harare International Airport
P O Box 4189
Harare
Telefax: 575364

Avondale Branch
Riverside Walk
King George Way
P O Box A92
Avondale
Harare
Tel: (04) 334281/4
Fax: (04) 302798

Borrowdale Branch
34 Sam Levy Village
P O Box BW480
Borrowdale
Tel: (04) 885686/8
Fax:- (04) 883262

ZB FINANCIAL HOLDINGS GROUP FOOTPRINT

For the year ended 31 December 2017

Chisipite Branch
2 Hind House
P Box CH 233
Chisipite
Harare
Tel: (04) 495145/61
Fax: (04) 495161

Douglas Road Branch
Lytton/Douglas Roads
P O Box ST491
Southerton
Harare
Tel: (04) 772181/772182
Fax: (04) 772183

Electronic Transactions Centre
Ground Floor, ZB Centre
Harare
Tel: (04) 796849
Fax: (04) 774303

First Street Branch
46 Speke Avenue
ZB House
P O Box 3198
Harare
Tel: (04) 757471/9 757535/40
Fax: (04) 752211

Gazaland
5986- 237 Street
Western Triangle
Highfield
Harare
Tel: 0772 453 455

Graniteside Branch
27B, Cripps Road
Graniteside
Harare
Tel: (04) 772062/5
Tel/Fax: (04) 772062

High Glen
1027, Glenview Complex
Glenview
Harare
Tel: +263 (0) 8677002001

Longcheng
Shop 99-100
Longcheng Plaza Complex
Cnr Mutley Bend/Samora Machel West
Avenue
Belvedere
Tel: +263 (0) 8677002001

Msasa Branch
Colonade Complex Beverley West
P O Box AY160
Amby
Tel: (04) 486427/9
Fax: (04) 486427/9

Premier Tobacco Branch
334. Affirmative Way
Willowvale
Harare
Tel: 611240

Rotten Row Branch
Kaguvi St/Kwameh Nkrumah Avenue
P O Box 1374
Harare
Tel: (04) 774281/9, (04) 774303/9
Fax: (04) 774281 Ext 6012

Ruwa
Stand No. 428
Bay 1 Maha
Ruwa
Tel: (0273) 2691

Siyaso
Block 33, Siyaso
Mbare
Harare
Tel: 0777 939 270, 0772 308 532

Tobacco Sales Floor Branch
161 Eltham Road
Gleneagles Road
Willowvale
Harare
Tel: 621621
Fax: 621639

Westend Branch
Cnr Robert Mugabe Road/Chinhoyi
Street
P O Box 3198
Harare
Tel: (04) 781361/6
Fax: (04) 751869

Belmont Branch
10 Birmingham Road
P O Box 8025
Bulawayo
Tel (09) 61795/7
Fax: (09) 889579

Bulawayo Polytechnic
Corner 12th Street and Park Road ,
Bulawayo
Tel:(09) 231422/424

Fife Street Branch
Cnr Fife Street/10th Avenue
P O Box 849
Bulawayo
Tel: (09) 888501/6
Fax: (09) 75030

Jason Moyo Branch
Old Mutual Centre
Cnr Jason Moyo St/8th Avenue
P O Box 2148
Bulawayo
Tel: (09) 882491/9
Tel: (09) 68801

Beitbridge Branch
Bloomfield Centre
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Beitbridge
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Fax: (0286) 22817

ZB FINANCIAL HOLDINGS GROUP FOOTPRINT

For the year ended 31 December 2017

Colleen Bawn Branch
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Colleen Bawn
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Fax: (0284) 24445

Gwanda Branch
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Gwanda
Tel: +263 (0) 8677002001

Hwange
Coronation Drive
Hwange
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Tel: (0281) 23208 / 22444 / 23587
Cell: 0774 144 281

Plumtree Branch
Kingsway Drive
P Bag 5924
Plumtree
Tel: (019) 2282/2410

Victoria Falls Branch
P O Box 100
Livingstone Way
Victoria Falls
Tel: (013) 44541/2
Fax: (013) 42070

Gweru Branch
36 R. Mugabe Way
P O Box 736
Gweru
Tel: (054) 222501/4
Fax: (054) 225938

Kadoma Branch
42 R. Mugabe Street
P O Box 430
Kadoma
Tel: (068) 22112/4

Kwekwe Branch
Cnr 3rd Avenue/ R. Mugabe Street
P O Box 478
Kwekwe
Tel: (055) 22813/4
Fax: (055) 24124

Midlands State University Campus
Senga Road
Gweru
Tel: (054) 260622

Sanyati Branch
Stand 39/42
P Bag 2002
Sanyati
Tel:- (0687) 2507/9

Shurugwi Branch
287/288 Beit Street
Shurugwi
Tel: (052) 6813 & 6604

Zvishavane Branch
86 Fowler Avenue
Zvishavane
P O BOX 7
Zvishavane
Tel:- (051) 2934
Telefax (051) 2934

Marondera Branch
Ash Street
P O Box 414
Tel: (079) 24001/1

Mutare Branch
88 Herbert Chitepo Street
P O Box 646
Mutare
Tel: (020) 63587
Fax: (020) 68673

Rusape Branch
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Box 234
Rusape
Tel: (025) 2395/2336

Chiredzi
350 Chilonga Drive
Chiredzi
Tel: (031) 3116 / 2746
Cell: 0772 405 649

Gutu Branch
Stand 362/3 Mpandawana
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Gutu
Tel: (030) 2564/66

Masvingo Branch
Electricity House
R. Mugabe Street
P O Box 600
Masvingo
Tel: (039) 262856/7
Fax:(039) 265285

Mwenezana Branch
P O Box 60
Mwenezana Estates
Mwenezi
Cell: 0772 420 828
Fax: 014/273

Triangle Branch
Ground Floor, Vernon Crooks Court
Triangle
Tel: (033) 6992
Fax: (033) 6993

Chinhoyi Branch
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Chinhoyi
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Fax: (067) 25845

Chinhoyi University
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ZB FINANCIAL HOLDINGS GROUP FOOTPRINT

For the year ended 31 December 2017

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Kariba Branch
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Kariba
Tel: 061-3101/3102/3043-4
Fax: 061-2892

Murombedzi Branch
Murombedzi Township
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Murombedzi
Tel: (0678) 2133/2131
Fax: (0678) 2133

Ngezi Branch
Old Mutual Complex
Shop no 6
Turf Village, Ngezi
Cell: 0772 415 175

Bindura
28 Robert Mugabe Road
Bindura
Tel: (0271) 6373 / 6870
Cell: 0772 990 266

Mt Darwin Branch
Cnr Hospital/Bindura Road
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Mt Darwin
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Fax: (076) 2633

ZB LIFE ASSURANCE LIMITED

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E-mail: info@zblife.co.zw
Website: www.zb.co.zw

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Fax: (09) 71002
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Gweru
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gweru@zblife.co.zw

Harare
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Mutare
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Mutare
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mutare@zblife.co.zw

ZB BUILDING SOCIETY

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Fax: 780916
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Chitungwiza
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Old Mutual Complex
Chitungwiza
Tel: (0270) 22281
Cell: 0772 606 905
Website: www.zbbs.co.zw

Bulawayo Main
8th Avenue & Main Street
Bulawayo
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Cell: 0772 268 136
Fax: (09) 76759
Website: www.zbbs.co.zw

Finsure House
Corner Sam Nujoma/Kwame Nkurumah Avenue
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Tel: (04) 253758 / 253059
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Fax: (04) 702233
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ZB FINANCIAL HOLDINGS GROUP FOOTPRINT

For the year ended 31 December 2017

ZB REINSURANCE

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Website: www.zb.co.zw

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Bulawayo
Tel: (09) 65631/3
Fax: (09) 71002
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB CAPITAL (PRIVATE) LIMITED

21 Natal Road
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Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029

ZB TRANSFER SECRETARIES (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029

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PROXY FORM

I/We ....

....

of...

.... being (a) member(s) of ZB Financial Holdings Limited entitled to ....

.... votes/shares held, do hereby appoint ....or failing whom, the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of members of the Company to be held in the Boardroom, Ground Floor, 21 Natal Road, Avondale, Harare, on Thursday 28 June 2018, commencing at 1030hrs, and any adjournment as follows:

ORDINARY BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
1	Ordinary	To receive, consider, and adopt if appropriate, the financial statements and the reports of the directors and auditors for the year ended 31 December 2017.			
2	Ordinary	To confirm the final dividend of 1.83 US cents per Ordinary Share as recommended by the Board.			
3	Ordinary	To elect directors for the Company:- 3.1 Reappotment of the following directors who retire by rotation in terms of Article 68 of the Company's Articles of Association:			
		i) O. Akerele			
		ii) P.B. Nyoni			
		3.2 Election of the following directors who, having been appointed during the year, retire at the end of the meeting in terms of Article 62 of the Company's Articles of Association:			
		i) A. Z. Mangwiro			
		ii) J. Mutevedzi			
		iii) P. Chiromo			
		Brief profiles of these directors are contained on pages 19 and 20 of this annual report.			
4	Ordinary	To approve the remuneration of the Directors for the past financial year.			
5	Ordinary	5.1 To approve the remuneration to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year's audit, in terms of Article 112 of the Articles of the Company.			
		5.2 To re-appoint Deloitte & Touche (Zimbabwe) as the Company's auditor for the ensuing year.			

ANY OTHER BUSINESS

6	Ordinary	To transact any other business as may be transacted at an Annual General Meeting.

PROXY FORM (CONTINUED)

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain at his/her own discretion.

Signed at .... on the .... day of ....2018.

Full name(s) ....

Signature(s) of member(s) ....

GENERAL NOTES:

In terms of the Companies Act (Chapter 24:03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead.

i) To be valid, the form of proxy should be completed and returned to the Company Secretary, Ground Floor, 21 Natal Road, Avondale, Harare and should be received at least 48 hours before the scheduled time of the Annual General Meeting.

ii) Completion of the form of proxy does not preclude a person from subsequently attending and voting in person at the Annual General Meeting.