CBZ HOLDINGS

Partners For Success

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AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED **31 DECEMBER 2018**

BANKING | INSURANCE | ASSET MANAGEMENT | PROPERTY INVESTMENT | MORTGAGE FINANCE

CHOOSE THE **RIGHT PARTNER** FOR GROWTH

CHAIRMAN'S STATEMENT

I am pleased to present the financial results for CBZ Holdings Limited and its subsidiaries, for the year ended 31 December 2018.

Environment
According to the International Monetary Fund, global economic growth eased from 3.8% in 2017 to 3.7% in 2018 and growth in the Sub-Saharan Africa region was estimated to have remained unchanged at 2.9% over the same period.

On the domestic scene, the economy was estimated to grow by 4.0% in 2018, up from 3.7% in 2017, driven by the agriculture, mining and manufacturing sectors. In the manufacturing sector, capacity utilisation is estimated to have slightly increased from 45.1% in 2017 to 48.2% in 2018, driven by a number of Government interventions in support of the local manufacturers.

Despite the marginal improvements in the economic indicators, the country's full growth potential continued to be limited by weak sectoral linkages, shortages of foreign currency and general macroeconomic uncertainties. To address these challenges and unlock broad based growth, the Government embarked on macroeconomic reforms during the second half of 2018 through the launch of Transitional Stabilisation Program (TSP), which runs for the period October 2018 to December 2020. The TSP seeks to enhance fiscal prudence, curtail money supply growth and foster a market driven exchange rate framework.

The official rate of inflation, year on year, increased noticeably from 3.5% to 42.1% with increased acceleration during the second half of the year. This was largely driven by currency weaknesses experienced during the same period. The year-on-year rate of inflation closed at record level of 42.1%, resulting in the average annual inflation rising from 0.9% in 2017 to 10.5% in 2018.

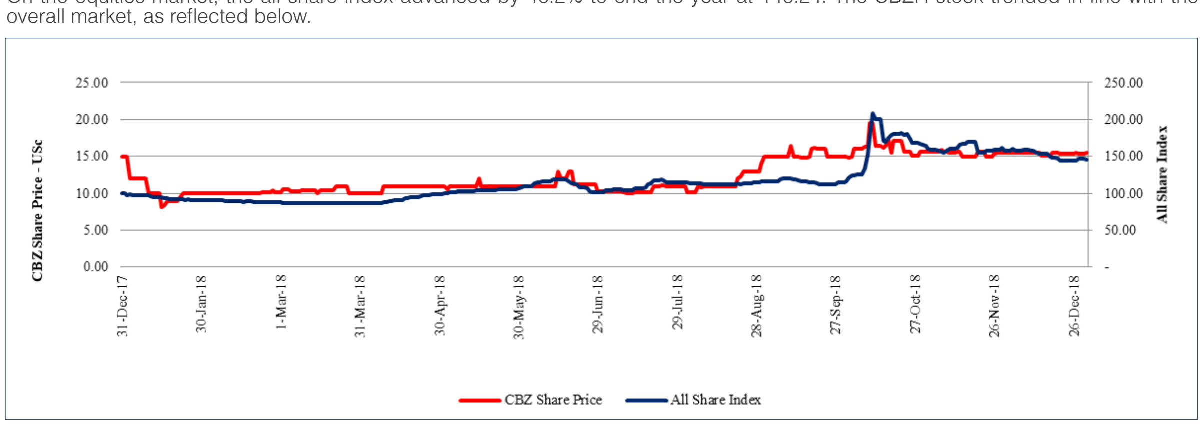
The average lending rates prevailing in the financial sector for individuals and corporates marginally increased from averages of 9.42% and 6.91% in 2017 to 9.50% and 7.12% in 2018 respectively. On the other hand, 1-month and 3-month deposit rates trended downwards, reflecting the generally high levels of local liquidity on the money market.

Despite the multicurrency system, the country continued to experience foreign currency shortages during the year with the Reserve Bank maintaining the foreign currency allocation system as part of measures to ensure that critical sectors and services received foreign currency for their import requirements. In October 2018, the Central Bank laid the roadmap for currency reforms by separating Nostro FCAs and RTGS FCAs, and eliminated commingling of funds.

Activity on the real estate market remained subdued, characterized by stagnant rentals, high rental arrears as well as rising construction and maintenance costs. In addition, due to currency uncertainties, property sellers either withdrew their properties from the market or reduced their preferred settlement methods.

The insurance sector experienced price disparities with sharp increases in premiums as insurers tried to keep up with the vulnerabilities in the economic environment.

On the equities market, the all share index advanced by 46.2% to end the year at 146.24. The CBZH stock trended in line with the overall market, as reflected below.



Source: ZSE

Governance & Directorate
The primary role of the Board is to bring an independent view and provide oversight on the company. The Board also gives direction and sets targets for management whilst ensuring that a robust governance structure is in place and is effective. CBZ Holdings' and its Subsidiaries' Boards operated with adequate membership and benefited from the diversity of its Directors.

Mr Tafadzwa Nyamayi and Ms Tsitsi Mutasa were retired from the Board on 31 January 2018 and 1 June 2018 respectively. The Board wishes to express its utmost gratitude for their contributions. Two Independent Non-Executive Directors, Mr John Matorofa and Mr Malcolm John Hollingworth were appointed to the Board on 1 June 2018 and 1 September 2018 respectively.

Dr Blessing Mudavanhu also joined the Board as an Executive Director following his appointment as the Group Chief Executive Officer on 1 July 2018. I take this opportunity to wish him well as he leads the management team in taking the Group to the next level of growth.

Corporate Social Responsibility
The Group is committed to integrating social responsibility and environmental concerns in its business operations. During the period under review, key strides were achieved through the youth entrepreneurial programme and the CBZ International SME Indaba.

Overview of the Group's performance.
The statistics below summarises the Group's performance for the year.

	Audited December 2018	Audited December 2017
Key Financial Highlights	**US$m**	**US$m**
Profit after taxation	72.2	27.8
Total comprehensive income	75.2	29.7
Total assets	2,449.9	2,192.7
Total equity	315.8	309.7
Total deposits	2,079.2	1,853.7
Total advances	487.0	941.4
Other statistics		
Basic earnings per share (cents)	13.9	5.4
Non-interest income to total income (%)	54.2	52.2
Cost to income ratio (%)	59.7	63.9
Return on assets (%)	3.6	1.2
Return on equity (%)	23.1	9.0
Growth in deposits (YTD %)	12.2	4.3
Growth in advances (YTD %)	(48.3)	(6.5)
Growth in PAT (YOY %)	159.7	17.0

Dividend
The Board has proposed the declaration of a final dividend of $6 430 606. Having declared an interim dividend of $2,589,740, this translates to an annual dividend of $9 020 346, a 155.9% growth from prior year.

Outlook
The implementation of macroeconomic reforms and the liberalisation of the foreign exchange market at the back of foreign currency shortages and in the absence of meaningful foreign direct investments (FDI) and bilateral support, pose a short to medium term threat to the business operating environment. The continuing efforts to impove relations with the international community are set to unlock the much needed foreign currency inflows and enhance the exploitation of vast opportunities that Zimbabwe offers. The Group remains committed to playing its role in contributing to the growth of the economy.

Appreciation
My appreciation goes to the valued clients of our various operations who remain the mainstay of our success. I also wish to thank fellow Directors from the Group Board, the Boards of Group Companies, Management and Staff for their dedication during the year and periods to come.

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N.M MATIMBA
CHAIRMAN

25 April 2019

DIRECTORS' STATEMENT

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act Chapter (24:03). They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Management reports to the Board, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Directors face.

The Group financial statements are required by Law and International Financial Reporting Standards (IFRS) to present fairly the financial position of the Group and its performance for that period. In preparation of the Group financial statements, the Directors are required to:

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

Compliance with Local Legislation
These financial results comply with the Companies Act (Chapter 24.03), Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07); the Building Societies Act (Chapter 24:02), Securities Act (Chapter 24:25), Asset Management Act, and Statutory Instruments (SI 33/99, SI 62/99). Further, these financial results have been prepared to comply with the Statutory Instrument 33 of 2019, issued on 22 February 2019 and the guidance issued by the Public Accountants and Auditors Board (PAAB). Mainly, Statutory Instrument 33 of 2019 specified, among other things, that for accounting and other purposes, all assets and liabilities that were immediately before the effective date valued in United States Dollars (other than assets and liabilities referred to in section 44C (2) of the Reserve Bank of Zimbabwe Act), shall on and after the effective date, (22 February 2019) be deemed to be values in RTGS dollars at a rate of one-to-one to the United States Dollar. This Statutory Instrument, based on the Directors interpretation, prescribes parity between the US Dollar and local currency as at 31 December 2018.

Compliance with IFRS
The financial results are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, equipment, investment property and certain financial instruments stated at fair value. These results are prepared in order to comply with International Financial Reporting Statements (IFRS), (promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions). In the previous reporting periods, the Group's financial results have complied in full with IFRSs, however, in 2018, only partial compliance has been achieved due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates) as well as with the principles embedded in the IFRS Conceptual Framework (see also guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the accounting treatment adopted in the 2018 Financial results being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRSs.

Going concern
The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial results on a going concern basis is still appropriate. The Directors have engaged themselves to continuously assess the ability of the Group to continue to operate as a going concern and to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial results. The Directors have provided in note 37 a sensitivity analysis on how different exchange rates would have impacted the financial results and therefore the Group's going concen status as at 31 December 2018.

By order of the Board

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N.M MATIMBA
GROUP CHAIRMAN

25 April 2019

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DR B.MUDAVANHU
GROUP CEO

25 April 2019

AUDITOR'S STATEMENT

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by Ernst & Young. An adverse opinion was issued thereon because of non-compliance with International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates). The directors have performed a sensitivity analysis on how different exchange rates would have impacted the consolidated and separate financial statements as at 31 December 2018 and disclosed this in note 37. The auditor's report on these financial statements is available for inspection at the Company's registered office.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Interest income	2	128 054 100	152 949 238
Interest expense	2	(45 970 412)	(77 390 065)
Net interest income		**82 083 688**	**75 559 173**
Net non-interest income	3	108 129 808	91 398 386
Net underwriting income	4	9 237 535	8 076 286
Total income		**199 451 031**	**175 033 845**
Operating expenditure	5	(119 057 345)	(111 905 039)
Operating income		**80 393 686**	**63 128 806**
Transfer to annuity reserve		(31 526)	-
Credit loss expense	14.1	2 727 967	(36 011 671)
Profit before taxation		**83 090 127**	**27 117 135**
Taxation	6.1	(10 918 505)	721 783
Profit for the year after taxation		**72 171 622**	**27 838 918**
Other comprehensive income			
Gains on property revaluation		3 948 791	2 203 767
Fair value loss on unquoted investments		(190 287)	-
Deferred income tax relating to components of other comprehensive income	6.3	(696 869)	(366 225)
Other comprehensive income for the year, net of tax		**3 061 635**	**1 837 542**
Total comprehensive income for the year		**75 233 257**	**29 676 460**
Profit for the year attributable to:			
Equity holders of parent		72 162 766	27 782 891
Non-controlling interests	29.7	8 856	56 027
Profit for the year		**72 171 622**	**27 838 918**
Total comprehensive income attributable to:			
Equity holders of parent		75 224 401	29 620 433
Non-controlling interests	29.7	8 856	56 027
Total comprehensive income for the year		**75 233 257**	**29 676 460**
Earnings per share (cents):			
Basic	7.1	13.93	5.36
Fully diluted	7.1	13.64	5.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
ASSETS			
Balances with banks and cash	9	376 338 271	89 606 676
Money market assets	10	70 741 297	45 820 077
Financial securities	11	1 244 941 623	899 862 222
Loans and advances to customers	12	486 996 095	941 408 103
Insurance assets	13	8 793 176	4 812 830
Equity investments	16	26 000 396	10 687 540
Other assets	15	81 736 229	72 016 809
Current tax receivable		1 490 449	621 938
Intangible assets	21	1 613 698	2 530 080
Property and equipment	19	77 429 469	71 605 721
Investment properties	20	37 558 578	33 950 354
Deferred tax asset	22.1	36 293 479	19 732 819
TOTAL ASSETS		**2 449 932 760**	**2 192 655 169**
LIABILITIES			
Deposits	23	2 079 155 395	1 853 677 673
Insurance liabilities	24	9 040 319	5 453 852
Other liabilities	25	37 589 913	17 951 208
Current tax payable		106 655	18 055
Life fund	26	1 593 605	1 465 928
Life assurance investment contract liabilities	27	2 393 424	1 806 932
Deferred tax liability	22.2	4 252 915	2 595 916
TOTAL LIABILITIES		**2 134 132 226**	**1 882 969 564**
EQUITY			
Share capital	29.1	6 869 625	6 868 795
Share premium	29.2	40 023 014	40 013 748
Treasury shares	29.3	(17 588 582)	(17 588 582)
Revaluation reserve	29.4	32 139 314	28 927 524
Share option reserve	29.5	1 163 806	1 135 049
Fair value reserve	29.8	8 153 639	-
Revenue reserve	29.6	244 917 776	250 212 784
Equity attributable to equity holders of the parent		**315 678 592**	**309 569 318**
Non-controlling interests	29.7	121 942	116 287
TOTAL EQUITY		**315 800 534**	**309 685 605**
TOTAL LIABILITIES AND EQUITY		**2 449 932 760**	**2 192 655 169**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Share option reserve US$	Fair value reserve US$	Revenue reserve US$	Total equity attributable to parent US$	Non-controlling interests US$	Total US$
Audited										
31 December 2017										
Opening balance	6 868 288	40 008 086	(17 588 582)	27 089 982	1 101 026	-	225 085 611	282 564 411	542 907	283 107 318
Total comprehensive income	-	-	-	1 837 542	-	-	27 782 891	29 620 433	56 027	29 676 460
Change in degree of ownership	-	-	-	-	-	-	(105 752)	(105 752)	(463 205)	(568 957)
Employee share option expense	-	-	-	-	35 720	-	-	35 720	-	35 720
Exercise of share options	507	5 662	-	-	(1 697)	-	-	4 472	-	4 472
Dividend paid	-	-	-	-	-	-	(2 549 966)	(2 549 966)	(19 442)	(2 569 408)
Closing balance	**6 868 795**	**40 013 748**	**(17 588 582)**	**28 927 524**	**1 135 049**	**-**	**250 212 784**	**309 569 318**	**116 287**	**309 685 605**
Audited										
31 December 2018										
Opening balance	6 868 795	40 013 748	(17 588 582)	28 927 524	1 135 049	-	250 212 784	309 569 318	116 287	309 685 605
Impact of adopting IFRS 9	-	-	-	-	-	8 303 794	(73 491 709)	(65 187 915)	-	(65 187 915)
Restated balance at 01 January 2018	**6 868 795**	**40 013 748**	**(17 588 582)**	**28 927 524**	**1 135 049**	**8 303 794**	**176 721 075**	**244 381 403**	**116 287**	**244 497 690**
Profit for the period							72 162 766	72 162 766	8 856	72 171 622
Total comprehensive income	-	-	-	3 211 790	-	(150 155)	-	3 061 635	-	3 061 635
Employee share option expense	-	-	-	-	31 536	-	-	31 536	-	31 536
Exercise of share options	830	9 266	-	-	(2 779)	-	-	7 317	-	7 317
Dividend paid	-	-	-	-	-	-	(3 966 065)	(3 966 065)	(3 201)	(3 969 266)
Closing balance	**6 869 625**	**40 023 014**	**(17 588 582)**	**32 139 314**	**1 163 806**	**8 153 639**	**244 917 776**	**315 678 592**	**121 942**	**315 800 534**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**83 090 127**	**27 117 135**
Non cash items:		
Depreciation	8 653 217	7 885 794
Amortisation of intangible assets	1 277 832	1 182 686
Write-offs and impairment of fixed assets	554 439	165 373
Write-offs of other assets	2 502 458	765 403
Fair value adjustments on properties	(1 205 527)	(1 904 448)
Fair value adjustments on equity instruments	(1 264 296)	(2 201 647)
Impairment on advances and insurance assets	(2 727 967)	36 011 671
Unrealised loss on foreign currency position	666 874	1 019 410
Unearned premium reserve movement	656 273	(387 144)
Provision for incurred but not reported claims (IBNR)	137 174	113 441
Deferred commission movement	(11 238)	125 853
Loss on sale of investment properties	-	350 000
Loss on sale of property and equipment	34 109	33 526
Employee share option expense	31 536	35 720
Annuities reserve movement	31 526	-
Operating cash inflow before changes in operating assets and liabilities	**92 426 537**	**70 312 773**
Changes in operating assets and liabilities		
Deposits	224 810 847	75 503 510
Loans and advances to customers	(14 231 603)	(40 804 606)
Life assurance investment contract liabilities	586 492	289 811
Money market assets	(24 924 061)	(8 308 070)
Financial securities	23 133 706	(68 610 423)
Insurance assets	(3 345 917)	(85 581)
Insurance liabilities	2 037 984	(1 282 428)
Other assets	(11 013 938)	(909 522)
Other liabilities	29 053 148	4 091 975
	226 106 658	**(40 115 334)**
Corporate tax paid	(8 893 642)	(3 780 629)
Net cash inflow from operating activities	**309 639 553**	**26 416 810**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(3 849 016)	(1 082 380)
Purchase of investment properties	(3 617 924)	(1 250 537)
Proceeds on disposal of investment property	-	1 500 000
Proceeds on disposal of property and equipment	37 810	119 794
Purchase of property and equipment	(11 459 540)	(6 129 845)
Purchase of intangible assets	(57 339)	(316 047)
Net cash outflow from investing activities	**(18 946 009)**	**(7 159 015)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee share options	7 317	4 472
Acquisition of additional interest in subsidiary	-	(568 957)
Dividend paid	(3 969 266)	(2 569 408)
Net cash outflow from financing activities	**(3 961 949)**	**(3 133 893)**
NET INCREASE IN BALANCES WITH BANKS AND CASH	**286 731 595**	**16 123 902**
Balances with banks and cash at the beginning of the year	89 606 676	73 482 774
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	**376 338 271**	**89 606 676**

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GROUP ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies of the Group. For a detailed analysis of the Group's accounting policies, kindly refer to the Group's 2018 annual report which is available at the Company registered offices.

1.1 BASIS OF PREPARATION

The Group's consolidated financial results have been prepared under policies consistent with the requirements of the Companies Act (Chapter 24.03), Banking Act (Chapter 24.20), Insuance Act (Chapter 24.07), the Building Society Act (Chapter 24.02) and the Securities Act (Chapter 24.25).The consolidated financial results are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, equipment, investment property and certain financial instruments stated at fair value. In the previous reporting periods, the Group's financial results have complied in full with IFRSs, however, in 2018, only partial compliance has been achieved due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates) as well as with the principles embedded in the IFRS Conceptual Framework (see also guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the accounting treatment adopted in the 2018 Financial Statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRSs.

Determination of the Group's functional and presentation currency for 2018 financial statements

During the year ended 2018, the Group was operating in an economy which was experiencing a shortage of foreign currency and consequently had exchange control regulations that impacted on the timing of payment of foreign payables among other matters. Given the context of the environment, the Group assessed if there has been a change in the functional currency (USD) used by the Group since dollarisation. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. In doing so management considered parameters set in IAS 21 as follows:

- The currency that mainly influences the sales prices for goods and services
- The currency of the competitive forces and regulations that mainly determines the sales prices of goods and services.
- The currency that mainly influences labour, material and other costs of providing goods and services (normally the currency in which such costs are denoted and settled)
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained

In addition, the Group considered key developments during 2018 as promulgated by the monetary policy of 1 October 2018 which instructed banks to separate and create distinct (separate) bank accounts for depositors, namely: RTGS FCA and Nostro FCA accounts based on the "Know Your Client" KYC of their clients, effective 15 October 2018. The Group was not able to arrive at the same conclusion that was arrived in prior year financial statements that the USD is the Group functional currency for the 2018 financial year.

Notwithstanding the above, the Group complied with the local laws and regulations with emphasis on statutory instrument 33 of 2019, the monetary policy of 20 February 2018 and PAAB guidance of 21 March 2019 which stated that the exchange rate between the USD and RTGS balances (including bond notes) was 1:1 as at 31 December 2018. In light of the foregoing, the Group adopted the USD as it's functional and presentation currency.

Basis of consolidation

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

Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in paragraph (a) below.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial results are the same as those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's Consolidated Financial Statements as at and for the year ending 31 December 2018. The Group has initially adopted IFRS 9 Financial Instruments (see 1.1a) and IFRS 15 Revenue from Contracts with Customers (see 1.1b) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The Group adopted IFRS 9 and IFRS 15 on 1 January 2018. Under the transition methods chosen, comparative information has not been restated.

1.1(a) IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for annual years on or after 1 January 2018. The Group elected, as a policy choice permitted under IFRS 9. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. The comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in equity as of 1 January 2018 and are disclosed in Note 29.6 and 30.1

Classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (Fair Value through Profit or Loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at Fair Value through Other Comprehensive Income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at Fair Value through Other Comprehensive Income (FVOCI), with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at Fair Value through Profit or Loss (FVPL)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at Fair Value through Profit or Loss (FVPL). Such movements are presented in OCI with no subsequent reclassification to Profit or Loss.

The Group's classification of its financial assets and liabilities is highlighted in Note 17.1. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 17.2.

Impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of Purchased or Originated Credit Impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 17.2.

1.1(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. There was no significant impact on retained earnings and Non Controlling Interest (NCI) due to the transition to IFRS 15 at 1 January 2018.

The Group has identified and aligned the revenue streams from the following areas of its operations to the requirements of IFRS 15 and as such the Group is continuously and closely assessing the timing and contractual obligations arising out of transactions in these areas:

- Investment Management
- Guarantee contracts
- Origination fees
- Commissions
- Performance or Success based fees
- Project Management Services
- Advisory Services

There was no material impact on the Group's statement of financial position as at 31 December 2018 and its Statement of Profit or Loss and other Compehensive Income for the year then ended and the Group's Statement of Cash Flows for the year ended 31 December 2018.

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AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED **31 DECEMBER 2018**

BANKING I INSURANCE I ASSET MANAGEMENT I PROPERTY INVESTMENT I MORTGAGE FINANCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INCORPORATION AND ACTIVITIES

The consolidated financial results of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2019. The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
2. INTEREST		
Interest Income		
Bankers acceptances	297 755	356 587
Overdrafts	22 340 071	52 607 898
Loans	24 693 496	36 131 509
Mortgage interest	9 915 962	10 629 426
Staff loans	3 279 940	3 489 978
Securities investments	66 376 437	48 639 996
Other investments	1 150 439	1 093 844
	128 054 100	152 949 238
Interest expense		
Call deposits	665 784	738 601
Savings deposits	20 390 929	32 124 010
Money market deposits	21 052 763	36 368 567
Other offshore deposits	3 860 936	8 158 887
	45 970 412	77 390 065
NET INTEREST INCOME	82 083 688	75 559 173
3. NET NON-INTEREST INCOME		
Net income from trading securities	(16 812)	34 751
Fair value adjustments on financial instruments	1 264 296	2 201 647
Fair value adjustments on investment properties	1 205 527	1 894 488
Net income from foreign currency dealings	3 929 623	4 528 336
Unrealised loss on foreign currency position	(666 874)	(1 019 410)
Commission and fee income	74 829 393	72 282 687
Profit/(loss) on sale of assets	(34 109)	(383 526)
Bad debts recovered	4 322 572	650 376
Property sales	11 498 499	5 684 939
Rental income	2 579 997	2 713 681
Other income	9 217 696	2 810 417
	108 129 808	91 398 386
4. NET UNDERWRITING INCOME		
Gross premium insurance	23 884 832	19 123 925
Reinsurance	(6 745 399)	(5 330 359)
Net written premium	17 139 433	13 793 566
Unearned premium	(656 273)	387 144
Net earned premium	16 483 160	14 180 710
Net commission (a)	(815 196)	(536 064)
Net claims (b)	(6 430 429)	(5 568 360)
	9 237 535	8 076 286
(a) Net commission		
Commission received	1 752 539	1 302 617
Commissions paid	(2 578 973)	(1 712 828)
Defered acquisition costs	11 238	(125 853)
Net commission	(815 196)	(536 064)
(b) Net claims		
Gross claims incurred	8 253 511	9 241 746
Reinsurance claims	(3 335 081)	(3 786 827)
Incurred but not yet reported claims	137 174	113 441
Gross outstandng claims	2 371 046	-
Reinsurance share of outstanding claims	(996 221)	-
	6 430 429	5 568 360
5. OPERATING EXPENDITURE		
Staff costs	52 328 423	53 536 903
Administration expenses	43 664 261	44 070 024
Audit fees	681 455	584 369
Depreciation	8 653 217	7 885 794
Amortisation of intangible assets	1 277 832	1 182 686
Property cost of sales	9 395 260	3 717 487
Write offs of other assets	2 502 458	765 403
Write offs and impairment of fixed assets	554 439	165 373
	119 057 345	111 905 039
Remuneration of directors / key management personnel (included in staff costs)		
Fees for services as directors	509 549	632 573
Pension and retirement benefits for past and present directors	714 329	3 324 525
Salaries and other benefits	7 067 064	7 334 212
	8 290 942	11 291 310
Operating leases		
The following is an analysis of expenses related to operating leases:		
Non cancellable lease rentals are payable as follows:		
Less than 1 year	1 927 712	1 700 070
Between 1 and 5 years	533 524	779 664
More than 5 years	-	-
	2 461 236	2 479 734

The Group leases a number of buildings from which its branches operate. The leases typically run for a year of 5 years with an option to renew the lease after the expiry date. During the year ended 31 December 2018, an amount of US$2 567 455 (December 2017: US$2 733 006) was recognised as rent expense in the statement of profit or loss and other comprehensive income.

6. TAXATION

6.1 The following constitutes the major components of income tax expense recognised in the Statement of Profit or Loss.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Analysis of tax charge in respect of the profit for the year		
Current income tax charge	8 113 731	6 573 943
Deferred income tax	2 804 774	(7 295 726)
Income tax expense	10 918 505	(721 783)
6.2 Tax rate reconciliation	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Non deductible expenses	20.08	56.50
Exempt income	(32.38)	(84.59)
Tax credit	(0.31)	(0.41)
Effective tax rate	13.14	(2.66)

6.3 The following constitutes the major components of deferred income tax expense recognised in the Statement of Other Comprehensive Income.

Revaluation of property and equipment	737 001	366 225
Unlisted equities	(40 132)	-
	696 869	366 225

7. EARNINGS PER SHARE

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

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

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

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
7.1 Annualised earnings per share (US cents)		
Basic	13.93	5.36
Fully diluted	13.64	5.21
7.2 Earnings		
Basic earnings (earnings attributable to holders of parent)	72 162 766	27 782 891
Fully diluted	72 162 766	27 782 891
Number of shares used in calculations (weighted)	**Shares**	**Shares**
Basic earnings per share (weighted)	517 953 389	517 863 996
Fully diluted earnings per share (weighted)	528 934 178	533 248 567
7.3 Reconciliation of denominators used for calculating basic and diluted earnings per share:		
Weighted average number of shares before adjustment for treasury shares	686 935 236	686 845 843
Less: Treasury shares held	(168 981 847)	(168 981 847)
Weighted average number of shares used for basic EPS	517 953 389	517 863 996
Potentially dilutive shares (Employee Share Options)	10 980 789	15 384 571
Weighted average number of shares used for diluted EPS	528 934 178	533 248 567

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
8. DIVIDENDS		
Cash dividends on ordinary shares declared and paid:		
Interim paid	2 621 049	1 344 284
Final dividend paid	1 345 016	1 205 682
	3 966 065	2 549 966
Interim divided paid per share (cents)	0.50	0.20
Final dividend paid per share (cents)	0.26	0.18

Dividends are paid on shares held at the record date net of treasury shares held on the same date.

Proposed dividends on ordinary shares:		
Final dividend	6 430 606	1 762 371
Final dividend per share (cents)	1.24	0.26

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2018.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
9. BALANCES WITH BANKS AND CASH		
Cash	31 852 201	11 819 743
Nostro accounts	38 067 650	4 000 099
Balances with the Reserve Bank of Zimbabwe	306 418 420	73 782 874
Interbank clearing accounts	-	3 960
	376 338 271	89 606 676

Prioritisation on allocation of bank balances held in foreign banks (Nostro accounts)
Balances with Reserve Bank of Zimbabwe and Foreign Banks are used to facilitate customer transactions which include payments and cash withdrawals. In 2016, the Reserve Bank of Zimbabwe, through Exchange Control Operational Guide 8 (ECOGAD8), introduced prioritisation criteria which are to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of bank balances with our foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the RTGS system.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
10. MONEY MARKET ASSETS		
Money market assets are non-credit financial assets with an original maturity of 1 year or less.		
AMA bills	43 410 301	24 200 000
Interbank Placements	22 841 622	19 495 440
RBZ Savings bond	1 225 000	-
Bankers acceptances	500 003	-
Aftrades bond	1 470 939	1 230 938
ZETDC bond	148 997	-
Accrued interest	1 147 312	893 699
Total gross money market assets	70 744 174	45 820 077
Expected credit loss	(2 877)	-
Total net money market assets	70 741 297	45 820 077
10.1 Maturity analysis		
The maturity analysis of money market assets is shown below:		
Between 0 and 3 months	21 135 850	17 685 315
Between 3 and 6 months	1 742 530	167 255
Between 6 months and 12 months	47 865 794	27 967 507
	70 744 174	45 820 077
11. FINANCIAL SECURITIES		
Treasury bills	1 217 791 660	882 558 352
ZETDC bond	-	347 665
Savings bond	200 000	-
Aftrades bond	60 000	-
Accrued interest	26 944 477	16 956 205
Total gross Financial Securities	1 244 996 137	899 862 222
Expected credit loss	(54 514)	-
Total net Financial Securities	1 244 941 623	899 862 222
11.1 Maturity analysis		
The maturity analsis of financial securities is shown below:		
Between 0 and 3 months	62 815 663	26 649 412
Between 3 and 6 months	42 461 639	5 678 424
Between 6 and 12 months	27 704 364	38 007 224
Between 1 and 5 years	204 330 944	232 726 096
Above 5 years	907 683 527	596 801 066
	1 244 996 137	899 862 222
12. LOANS AND ADVANCES TO CUSTOMERS		
Overdrafts	311 890 602	489 967 037
Loans	132 302 582	366 528 626
Staff loans	51 252 537	54 551 700
Mortgage advances	97 102 656	83 479 732
Interest accrued	6 151 491	25 505 959
Total gross loans and advances to customers	598 699 868	1 020 033 054
Allowance for Expected Credit Loss (ECL)	(111 703 773)	(78 624 951)
	486 996 095	941 408 103

	AUDITED 31 DEC 2018 US$	%	AUDITED 31 DEC 2017 US$	%
12.1 Sectoral analysis				
Private	171 854 097	29	182 562 405	18
Agriculture	145 235 357	24	248 017 847	24
Mining	19 480 638	3	10 641 051	1
Manufacturing	47 962 342	8	67 034 854	7
Distribution	98 661 187	17	92 677 855	9
Construction	9 258 502	2	8 603 879	1
Transport	7 358 247	1	8 370 306	1
Communication	1 539 099	-	127 705	-
Services	83 874 835	14	162 740 665	16
Financial organisations	13 475 564	2	239 256 487	23
	598 699 868	100	1 020 033 054	100

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
12.2 Maturity analysis		
Less than 1 month	241 584 934	398 269 371
Between 1 and 3 months	38 287 388	98 764 134
Between 3 and 6 months	30 811 537	36 766 238
Between 6 months and 1 year	59 177 790	55 740 341
Between 1 year and 5 years	97 620 115	90 417 126
More than 5 years	131 218 104	340 075 844
	598 699 868	1 020 033 054

Maturity analysis is based on the remaining year from 31 December 2018 to contractual maturity.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
12.3 Loans to directors, key management and employees		
Loans to directors and key management		
Included in advances are loans to Executive Directors and key management:-		
Opening balance	8 256 593	8 178 093
Advances made during the year	574 778	702 314
Repayments during the year	(397 480)	(623 814)
Closing balance	8 433 891	8 256 593
Loans to employees		
Included in advances are loans to employees:		
Opening balance	46 295 106	49 277 396
Advances made during the year	2 173 432	2 174 409
Repayments during the year	(5 649 888)	(5 156 699)
Closing balance	42 818 650	46 295 106
12.4 Allowance for Expected Credit Loss (ECL)		
Opening balance	78 624 951	60 802 293
Impact of IFRS 9 (Note 14.2)	93 621 543	-
Adjusted opening balance	172 246 494	60 802 293
Credit loss expense on loans and advances	(2 313 209)	35 852 917
Interest in suspense	6 500 172	11 676 411
Amounts written off during the year	(64 729 684)	(29 706 670)
Closing balance	111 703 773	78 624 951
12.5 Collateral		
Cash cover	7 404 584	15 290 945
Mortgage bonds	576 929 361	935 716 037
Notarial general covering bonds	185 471 716	760 471 807
	769 805 661	1 711 478 789
13. INSURANCE ASSETS		
Reinsurance unearned premium reserve	2 028 581	1 350 740
Reinsurance receivables	2 048 475	1 090 930
Deferred acquisition cost	772 964	586 788
Insurance premium receivables	5 007 992	2 690 478
Suspended premium	(42 967)	(57 944)
Impairment provision	(1 021 869)	(848 162)
	8 793 176	4 812 830
13.1 Reinsurance unearned premium reserve		
Unearned premiums at the beginning of the year	1 350 740	1 300 868
Written premiums	6 655 917	5 261 049
Premiums earned during the year	(5 978 075)	(5 211 177)
	2 028 582	1 350 740
13.2 Impairment on insurance assets		
Opening balance	848 162	689 408
Charge for impairment on insurance receivables	226 264	158 754
Closing balance	1 074 426	848 162

14. IMPAIRMENT ON FINANCIAL INSTRUMENTS

14.1 Expected credit loss expense (ECL)

The table below shows the ECL charges on financial instruments for the year recorded in the Statement of Profit or Loss:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchase or Originated Credit Impaired US$	Total US$
Money market assets	(124 850)	–	–	–	(124 850)
Financial securities	11 858	–	–	–	11 858
Loans and advances to customers	(11 296 071)	(33 649 909)	42 632 771	–	(2 313 209)
Financial guarantees	(80 816)	–	–	–	(80 816)
Letters of credit for customers	1 089	–	–	–	1 089
Other commitments	(221 820)	–	207 218	–	(14 602)
Lease receivables	1 968	7 225	(444 113)	–	(434 920)
	(11 708 642)	**(33 642 684)**	**42 395 876**	**–**	**(2 955 450)**
Insurance assets impairment charge	227 483	–	–	–	227 483
Expected credit loss expense	**(11 481 159)**	**(33 642 684)**	**42 395 876**	**–**	**(2 727 967)**

14.2 Impairment allowance for Loans and receivables and held to maturity securities per IAS 39 financial assets at amortised cost under IFRS 9

	Loans loss provision under IAS 39/IAS 37 at 31 Dec 2017 US$	Re-Measurement US$	Loans loss provision ECLs under IFRS 9 at 01 Jan 2018 US$
Money market assets	-	127 692	127 692
Loans and advances to customers	78 624 951	93 621 543	172 246 494
Financial guarantees	-	182 938	182 938
Financial securities	-	42 693	42 693
	78 624 951	93 974 866	172 599 817

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
15. OTHER ASSETS		
Land inventory	54 920 794	61 906 731
Prepayments and deposits	1 925 107	1 734 848
Other receivables	24 890 328	8 375 230
	81 736 229	72 016 809
16. EQUITY INVESTMENTS		
Opening balance	10 687 540	7 826 107
Impact of IFRS 9 fair value adjustment	10 389 831	-
Investments in equities during the year	6 161 950	2 354 694
Investments disposed of during the year	(2 312 934)	(1 694 908)
Fair value adjustments through Profit or Loss	1 264 296	2 201 647
Fair value adjustments through other Comprehensive Income	(190 287)	-
	26 000 396	10 687 540
16.1 Investments in equities		
Unlisted investments	15 622 634	6 010 058
Listed investments	10 377 762	4 677 482
	26 000 396	10 687 540
Equity investments designated at fair value through profit or loss	10 377 762	4 677 482
Equity investments designated at fair value through other comprehensive income	15 622 634	-
	26 000 396	4 677 482

	AUDITED 31 DEC 2018 US$	%	AUDITED 31 DEC 2017 US$	%
16.2 Investment in subsidiaries				
CBZ Bank Limited	21 839 891	100	21 839 891	100
CBZ Asset Management (Private) Limited	1 987 950	100	1 987 950	100
CBZ Building Society	19 114 990	100	19 114 990	100
CBZ Insurance (Private) Limited	2 259 839	98.4	2 259 839	98.4
CBZ Properties (Private) Limited	4 779 144	100	4 779 144	100
CBZ Life Assurance (Private) Limited	1 388 014	100	1 388 014	100
CBZ Asset Management - Mauritius	88 909	100	132 990	100
CBZ Risk Advisory (Private) Limited	1 345 080	100	545 080	100
Redsphere (Private) Limited	520 250	100	520 250	100
	53 324 067		52 568 148	

17. CATEGORIES OF FINANCIAL ASSETS

17. 1 Audited 31 Dec 2018	At fair value through profit or loss US$	At fair value through OCI US$	At amortised cost US$	Total carrying amount US$
Balances with banks and cash	-	-	376 338 271	376 338 271
Money market assets	-	-	70 741 297	70 741 297
Financial securities	-	-	1 244 941 623	1 244 941 623
Loans and advances to customers	-	-	486 996 095	486 996 095
Insurance assets	-	-	8 793 176	8 793 176
Equity investments	15 622 634	10 377 762	-	26 000 396
Other assets	-	-	81 736 229	81 736 229
Total	15 622 634	10 377 762	2 269 546 691	2 295 547 087

Audited 31 Dec 2017	At fair value through profit or loss US$	Available for sale US$	Loans and receivables US$	Total carrying amount US$
Balances with banks and cash	-	-	89 606 676	89 606 676
Money market assets	-	-	45 820 077	45 820 077
Financial securities	-	-	899 862 222	899 862 222
Loans and advances to customers	-	-	941 408 103	941 408 103
Insurance assets	-	-	4 812 830	4 812 830
Equity investments	4 677 482	6 010 058	-	10 687 540
Other assets	-	-	8 375 229	8 375 229
Total	4 677 482	6 010 058	1 989 885 137	2 000 572 677

17.2. Reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	IAS 39 measurement			Remeasurement		IFRS 9	
	Category	Amount	Re–Classification	ECL	Other	Amount	Category
Financial assets							
Balances with banks and cash	Loans & Receivables	89 606 676	–	–	–	89 606 676	AC
Money market assets	Loans & Receivables	45 820 077	–	(127 692)	–	45 692 385	AC
Financial securities	Loans & Receivables	899 862 222	–	(42 693)	–	899 819 529	AC
Loans and advances to customers	Loans & Receivables	941 408 103	–	(93 621 543)	–	847 786 560	AC
Insurance assets	Loans & Receivables	4 812 830	–	–	–	4 812 830	AC
Equity investments	FVPL	4 677 482	–	–	–	4 677 482	FVPL
Unquoted Equity investments	Available for sale	6 010 058	–	–	10 389 831	16 399 889	FVOCI
Other assets	Loans & Receivables	8 375 229	–	–	–	8 375 229	AC
Total financial assets		**2 000 572 677**	**–**	**(93 991 928)**	**10 389 831**	**1 917 170 580**	

Key

AC - Amortised cost
FVPL - Fair Value through Profit or Loss
FVOCI - Fair Value through Other Comprehensive Income

18. FAIR VALUE MEASUREMENT

18.1 The following table presents items of the Statement of Financial Position which are recognised at fair value:

	Level 1		Level 2		Level 3		Total carrying amount	
	31 Dec 18 US$	31 Dec 17 US$	31 Dec 18 US$	31 Dec 17 US$	31 Dec 18 US$	31 Dec 17 US$	31 Dec 18 US$	31 Dec 17 US$
Equity investments	10 377 762	4 677 482	–	–	15 622 634	–	26 000 396	4 677 482
Land and Buildings	–	–	54 384 382	48 581 012	–	–	54 384 382	48 581 012
Investment properties	–	–	37 558 578	33 950 354	–	–	37 558 578	33 950 354
Total assets at fair value	**10 377 762**	**4 677 482**	**91 942 960**	**82 531 366**	**15 622 634**	**–**	**117 943 356**	**87 208 848**

Level 2 valuation techniques are highlighted on note 19 for Property and Equipment and note 20 for Investment property

18.2 The table below shows the carrying amounts and the corresponding fair value of financial assets held by the Group as at 31 December 2018:

	Carrying amount 31 December 2018 US$	Fair value 31 December 2018 US$	Carrying amount 31 December 2017 US$	Fair value 31 December 2017 US$
Financial assets				
Equity investments	26 000 396	26 000 396	4 677 482	4 677 482
	26 000 396	**26 000 396**	**4 677 482**	**4 677 482**

19. PROPERTY AND EQUIPMENT

	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer US$	Equipment US$	Furniture & Fittings US$	Work in progress US$	Total US$
Audited									
31 Dec 2018									
Opening balance	5 250 461	43 330 551	869 574	6 456 467	23 536 754	11 709 442	7 293 232	3 757 279	102 203 760
Additions	–	2 591 075	109 597	285 213	4 012 424	815 422	246 036	3 399 773	11 459 540
Revaluation	3 256 089	(2 350 847)	–	–	–	–	–	–	905 242
Impairments	–	(214 910)	–	–	–	–	–	(48 928)	(263 838)
Disposals	–	–	–	(226 222)	(228 667)	(69 583)	(86 691)	37 076	(574 087)
Transfers to intangible assets	–	–	–	–	–	–	–	(304 111)	(304 111)
Write offs	–	–	–	–	(24 158)	(2 000)	(6 256)	(300 290)	(332 704)
Transfers(PPE Intercategories)	–	2 521 959	29 328	–	522 109	4 400	3 912	(3 081 708)	–
Closing balance	**8 506 550**	**45 877 828**	**1 008 499**	**6 515 458**	**27 818 462**	**12 457 681**	**7 450 233**	**3 459 091**	**113 093 802**
Accumulated depreciation									
Opening balance	–	–	510 572	4 538 998	13 597 562	8 436 855	3 514 052	–	30 598 039
Charge for the year	–	3 059 059	90 677	845 316	2 682 040	1 062 697	913 428	–	8 653 217
Disposals	–	–	–	(190 898)	(201 798)	(55 772)	(53 700)	–	(502 168)
Write offs	–	–	–	–	(21 786)	(1 800)	(2 110)	–	(25 696)
Revaluation	–	(3 042 650)	–	–	–	–	–	–	(3 042 650)
Impairments	–	(16 409)	–	–	–	–	–	–	(16 409)
Closing balance	**–**	**–**	**601 249**	**5 193 416**	**16 056 018**	**9 441 980**	**4 371 670**	**–**	**35 664 333**
Net Book Value	**8 506 550**	**45 877 828**	**407 250**	**1 322 042**	**11 762 444**	**3 015 701**	**3 078 563**	**3 459 091**	**77 429 469**

	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer US$	Equipment US$	Furniture & Fittings US$	Work in progress US$	Total US$
Audited									
31 Dec 2017									
Cost									
Opening balance	5 254 461	43 704 177	805 435	6 417 459	19 600 094	10 999 260	7 143 597	4 068 804	97 993 287
Additions	–	25 554	64 139	151 240	2 609 204	572 659	205 613	2 501 436	6 129 845
Revaluation surplus	(4 000)	(514 823)	–	–	–	–	–	–	(518 823)
Impairments	–	(1 171)	–	–	(17 588)	(5 030)	(10 244)	(142 705)	(176 738)
Disposals	–	–	–	(201 582)	(91 851)	(111 050)	(51 846)	–	(456 329)
Transfers to intangible assets	–	–	–	–	–	–	–	(713 376)	(713 376)
Transfers to Investment Properties	–	–	–	–	–	–	–	(54 106)	(54 106)
Transfers(PPE Intercategories)	–	116 814	–	89 350	1 436 895	253 603	6 112	(1 902 774)	–
Closing balance	**5 250 461**	**43 330 551**	**869 574**	**6 456 467**	**23 536 754**	**11 709 442**	**7 293 232**	**3 757 279**	**102 203 760**
Accumulated depreciation & impairment									
Opening balance	–	–	428 746	3 805 247	11 175 596	7 465 693	2 897 967	–	25 773 249
Charge for the year	–	2 733 482	81 826	837 307	2 507 184	1 076 523	649 472	–	7 885 794
Disposals	–	–	–	(103 556)	(72 958)	(99 703)	(26 792)	–	(303 009)
Revaluation	–	(2 732 552)	–	–	–	–	–	–	(2 732 552)
Impairments	–	(930)	–	–	(12 260)	(5 658)	(6 595)	–	(25 443)
Closing balance	**–**	**–**	**510 572**	**4 538 998**	**13 597 562**	**8 436 855**	**3 514 052**	**–**	**30 598 039**
Net Book Value	**5 250 461**	**43 330 551**	**359 002**	**1 917 469**	**9 939 192**	**3 272 587**	**3 779 180**	**3 757 279**	**71 605 721**

Properties were revalued on an open market basis by an internal professional valuer, as at 31 December 2018 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. For 2017 and prior years, the properties were valued by a registered independent appraiser using the same methodology noted below:

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

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

  i. Surveys and data collection on similar past transactions.
  ii. Analysis of collected data.

- Comparison of the analysis with the subject properties and then carrying out the valuation of the subject properties. Adjustments were made to the following aspects:

  a) Age of property – state of repair and maintenance,
  b) Aesthetic quality – quality of fixtures and fittings,
  c) Structural condition – location,
  d) Accommodation offered – size of land.

The maximum useful lives are as follows:

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

The carrying amount of buildings would have been US$29 402 675 (December 2017: US$25 201 690) had they been carried at cost. Further details on fair valuation hierachy are provided in the Group's annual report for the year ended 31 December 2018.

If the fair value adustment had been 5% up or down, the Group's other Comprehensive Income would have been $146 599 higher or lower the reported position.

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

20. INVESTMENT PROPERTIES

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Opening balance	33 950 354	32 601 223
Additions	3 617 924	1 250 537
Transfer from property and equipment	-	54 106
Disposals	-	(1 850 000)
Transfer to land inventory	(1 215 227)	-
Fair valuation gain	1 205 527	1 894 488
Closing balance	**37 558 578**	**33 950 354**

The carrying amount of the investment properties is the fair value of the properties as determined by a registered internal appraiser having, an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties and also in reference to the rental yeilds applicable to similar property. The properties were valued as at 31 December 2018. For 2017 and prior years, the properties were valued by a registered independent appraiser using the same methodology noted above.

The rental income derived from investment properties amounted to US$2 579 999 (December 2017: US$1 989 496) and direct operating expenses amounted to US$111 921 (December 2017: US$253 528).

If the fair value adustment had been 5% up or down, the Group's profit would have been $44 755 higher or lower the reported position.

21. INTANGIBLE ASSETS

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Computer software		
At cost	7 156 169	7 134 304
Accumulated amortisation	(5 542 471)	(4 604 224)
	1 613 698	**2 530 080**
Movement in intangible assets:		
Opening balance	2 530 080	2 697 421
Additions	57 339	316 047
Write-offs	-	(14 078)
Transfer from property and equipment	304 111	713 376
Amortisation charge	(1 277 832)	(1 182 686)
Closing balance	**1 613 698**	**2 530 080**

Intangible assets are carried at cost less accumulated amortisation charge. The intangible assets, which comprise computer software, are amortised over a year of 3 years.

22. DEFERRED TAXATION

22.1 Deferred tax asset

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

The deferred tax asset balances included in the statement of financial position are comprised of:

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Equity investments	(739 911)	(2 866)
Assessed loss	36 284	14 523
Credit loss provisions	22 990 580	20 186 755
Intangible assets	28 718	(398)
Property and equipment	(5 828 006)	(5 586 509)
Prepayments	(3 002)	(411 976)
Tax claimable impairments	18 354 895	5 396 450
Investment properties	39 279	(11 919)
Other	1 414 642	148 754
Closing balance	**36 293 479**	**19 732 819**

22.2 Deferred tax liability

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

The deferred tax liability balances included in the statement of financial position are comprised of:

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Intangible assets	668	388
Equity investments	1 346 497	(11 621)
Property and equipment	295 414	988 072
Investment properties	2 610 336	1 619 077
Closing balance	**4 252 915**	**2 595 916**

Deferred tax asset and deferred tax liability balances were not netted off because the amounts included in deferred tax asset were derived from Banking, short term insurance and asset management activities whilst the deferred tax liability amounts emanated from other subsidiaries.

23. DEPOSITS

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Call deposits	55 892 243	18 095 584
Savings and other deposits	1 524 660 653	1 305 129 515
Money market deposits	468 783 201	456 206 655
Lines of credit	26 094 771	69 240 923
Accrued interest	3 724 527	5 004 996
	2 079 155 395	**1 853 677 673**

23.1 Deposits by type

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Retail	296 335 950	218 418 499
Corporate	1 285 261 766	1 106 005 842
Money market	471 113 693	458 912 378
Lines of credit	26 443 986	70 340 954
	2 079 155 395	**1 853 677 673**

Lines of credit relate to borrowings from foreign banks or financial institutions. These have an average tenure of 3 years with an average interest rate of 7.6% and are secured by a variety of instruments which include lien over bank accounts, guarantees, treasury bills and sub borrower securities.

23.2 Sectoral Analysis

	AUDITED 31 DEC 2018 US$	%	AUDITED 31 DEC 2017 US$	%
Private	131 095 816	6	129 723 483	7
Agriculture	73 285 293	4	65 818 977	4
Mining	22 272 532	1	19 945 491	1
Manufacturing	187 143 267	9	164 937 936	9
Distribution	397 105 023	19	364 293 653	20
Construction	51 644 282	2	46 437 539	3
Transport	36 993 609	2	31 751 015	2
Communication	76 260 786	4	41 746 057	2
Services	763 840 384	37	687 266 989	36
Financial organisations	253 357 510	12	281 973 254	15
Financial and investments	86 156 893	4	19 783 279	1
	2 079 155 395	**100**	**1 853 677 673**	**100**

23.3 Maturity analysis

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Less than 1 month	1 705 837 398	1 457 852 540
Between 1 and 3 months	271 275 832	207 618 305
Between 3 and 6 months	30 004 585	104 566 539
Between 6 months and 1 year	22 457 367	22 575 703
Between 1 and 5 years	31 147 671	46 583 659
More than 5 years	18 432 542	14 480 927
	2 079 155 395	**1 853 677 673**

Maturity analysis is based on the remaining year from 31 December 2018 to contractual maturity.

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US
24.	**INSURANCE LIABILITIES**		
	Reinsurance payables (a)	1 324 675	747 363
	Gross outstanding claims (b)	2 870 359	1 211 259
	Gross unearned premium reserve (c)	4 317 264	3 142 147
	Deferred reinsurance acquisition revenue (d)	528 021	353 083
		9 040 319	5 453 852
24.1	**Insurance contract provisions**		
	(a) Reinsurance payables		
	Reinsurance payables at beginning of year	747 363	763 507
	Premiums ceded during the year	6 404 567	4 853 094
	Reinsurance paid	(5 827 255)	(4 869 238)
	Reinsurance payables at end of the year	1 324 675	747 363
	(b) Gross outstanding claims provision		
	Outstanding claims at the beginning of year	1 211 259	2 359 305
	Claims incurred	7 485 025	5 584 039
	Incurred but not reported claims provision (IBNR)	198 429	118 237
	Claims paid	(6 024 354)	(6 850 322)
	Outstanding claims at end of the year	2 870 359	1 211 259
	(c) Gross premium reserve		
	Unearned premiums at the beginning of year	3 142 147	3 035 840
	Written premiums	13 154 133	10 435 728
	Premiums earned during the year	(11 979 016)	(10 329 421)
	Unearned premiums at end of the year	4 317 264	3 142 147

(d) Deferred reinsurance acquisition revenue

	Unearned commissions US$	Deferred acquisition US$	Net US$
Audited 31 December 2018			
Unearned at the beginning of year	353 083	408 961	(55 878)
Written premiums	1 651 945	1 772 411	(120 466)
Earned during the year	(1 477 007)	(1 551 723)	74 716
Unearned at end of year	528 021	629 649	(101 628)

	Unearned commissions US$	Deferred acquisition US$	Net US$
Audited 31 December 2017			
Unearned at the beginning of year	312 298	368 242	(55 944)
Written premiums	1 199 669	1 248 974	(49 305)
Earned during the year	(1 158 884)	(1 208 255)	49 371
Unearned at end of year	353 083	408 961	(55 878)

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
25.	**OTHER LIABILITIES**		
	Revenue received in advance	3 027 064	2 574 104
	Sundry creditors	28 775 206	2 438 303
	Accruals	1 639 412	1 865 581
	Suspense	3 078 826	2 463 711
	Provisions	1 069 405	8 609 509
		37 589 913	17 951 208

26. LIFE FUNDS

26.1	**Movement in Life Fund**	Unearned Premium Reserve US$	Incurred But Not Reported US$	Annuities Reserve US$	Total US$
	Audited 31 December 2018				
	Opening balance	939 075	526 853	-	1 465 928
	Transfer to income	157 406	(61 255)	31 526	127 677
	Closing balance	1 096 481	465 598	31 526	1 593 605
	Audited 31 December 2017				
	Opening balance	1 313 343	531 649	-	1 844 992
	Transfer to income	(374 268)	(4 796)	-	(379 064)
	Closing balance	939 075	526 853	-	1 465 928

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
26.2	**Life funds liabilities as supported by the following net assets**		
	Money market assets	509 420	874 418
	Prescribed assets	301 200	153 541
	Investment property	447 624	397 383
	Listed equity investment	335 361	40 586
		1 593 605	1 465 928
27.	**LIFE ASSURANCE INVESTMENT CONTRACT LIABILITIES**		
27.1	**Life assurance investment contract liabilities movement**		
	Opening balance	1 806 934	1 517 121
	Interest on GEP fund	76 910	76 067
	Fund Management expenses	(41 212)	(23 501)
	GEP Investment	1 064 404	906 391
	GEP Withdrawals	(513 612)	(669 146)
	Closing balance	2 393 424	1 806 932
27.2	**Life assurance investment contract liabilities are supported by the following net assets**		
	Money market assets	1 321 034	1 433 039
	Cash	139 937	249 203
	Prescribed assets	708 394	124 690
	Listed equity investment	224 059	-
		2 393 424	1 806 932

28. CATEGORIES OF FINANCIAL LIABILITIES

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

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US
29.	**EQUITY AND RESERVES**		
29.1	**Share capital**		
	Authorised		
	1 000 000 000 ordinary shares of US$ 0.01each	**10 000 000**	**10 000 000**
	Issued and fully paid		

Reconciliation of number of shares	Shares	Shares
Opening balance	686 879 495	686 828 740
Employee share options	83 072	50 755
Closing balance	686 962 567	686 879 495

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
	Opening balance	6 868 795	6 868 288
	Exercise of share options	830	507
	Closing balance	6 869 625	6 868 795
29.2	**Share premium**		
	Opening balance	40 013 748	40 008 086
	Exercise of Share option reserve	9 266	5 662
	Closing balance	40 023 014	40 013 748
29.3	**Treasury shares**		
	Opening balance	17 588 582	17 588 582
	Closing balance	17 588 582	17 588 582
29.4	**Revaluation reserve**		
	Opening balance	28 927 524	27 089 982
	Net revaluation gain	3 211 790	1 837 542
	Closing balance	32 139 314	28 927 524
29.5	**Employee share option reserve**		
	Opening balance	1 135 049	1 101 026
	Share options to employees	28 757	34 023
	Closing balance	1 163 806	1 135 049

During the year 83 072 shares were exercised after vesting and US$7 319 was realised from the exercise.

Shares under option
The Directors are empowered to grant share options to senior executives and staff of the company up to a maximum of 40 000 000 shares. The options are granted for a period of 10 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of the share options outstanding as at 31 December 2018 were as follows:

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

	AUDITED 31 DEC 2018 Shares	AUDITED 31 DEC 2017 Shares
Movement for the year		
Balance at the beginning of the year	37 280 869	37 331 624
Options exercised	(83 072)	(50 755)
Balance at the end of the year	37 197 797	37 280 869

No share options were forfeited or expired during the year.

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

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

Valuation inputs:

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

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

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

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

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
29.6	**Revenue reserve**		
	Opening balance	250 212 784	225 085 611
	Impact of adopting IFRS 9 (Note 29.6.1)	(73 491 709)	-
	Total change in equity due to adopting IFRS 9	176 721 075	225 085 611
	Total comprehensive income for the year	72 162 766	27 782 891
	Change in degree of ownership/control	-	(105 752)
	Dividend paid	(3 966 065)	(2 549 966)
		244 917 776	250 212 784
	The revenue reserve comprises:		
	Holding company	12 362 787	12 977 082
	Subsidiary companies	237 206 816	241 881 187
	Effect of consolidation journals	(4 651 827)	(4 645 485)
		244 917 776	250 212 784
29.6.1	**Revenue reserve**		
	The impact of transition to IFRS 9 on retained earnings is, as follows:		
	Recognition of expected credit losses under IFRS 9 for financial assets	(90 965 851)	-
	Deferred tax in relation to the above	17 474 142	-
	Total change in equity due to adopting IFRS 9 (01 Janaury 2018)	(73 491 709)	-
29.7	**Non-controlling interests**		
	Reconciliation of Non-controlling Interests:		
	Opening balance	116 287	542 907
	Total comprehensive income	8 856	56 027
	Dividend paid	(3 201)	(19 442)
	Change in degree of ownership	-	(463 205)
	Closing balance	121 942	116 287
29.8	**Fair value reserve**		
	Opening balance	-	-
	Impact of adopting IFRS 9 (Note 29.8.1)	8 303 794	-
	Other comprehensive income for the year	(150 155)	-
		8 153 639	-
29.8.1	**Fair value reserve**		
	The impact of transition to IFRS 9 on fair value reserve is, as follows:		
	Recognition of fair value gain for unquoted equities on adopting IFRS 9	10 389 831	-
	Deferred tax in relation to the above	(2 086 037)	-
	Total change in equity due to adopting IFRS 9 (01 Janaury 2018)	8 303 794	-

30. CAPITAL MANAGEMENT

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

31. CONTINGENCIES AND COMMITMENT

31.1 Compliance matter

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

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Other		
Guarantees	10 493 928	8 428 749
Letters of credit	25 387 701	-
	35 881 629	8 428 749
Capital commitments		
Authorised and contracted for	2 557 221	2 126 942
Authorised but not yet contracted for	823 537	1 186 581
	3 380 758	3 313 523

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

32. FUNDS UNDER MANAGEMENT

Pensions	337 303 216	219 889 897
Institutional and individual clients - equities	33 354 903	22 472 776
Institutional and individual clients - fixed income	7 501 752	7 353 045
Unit trusts	1 136 683	787 479
	379 296 554	250 503 197

33. OPERATING SEGMENTS

The Group is comprised of the following operating segments:

BANKING OPERATIONS	Provides commercial banking products through retail banking, corporate and merchant banking and investing portfolios through the treasury function.
MORTAGAGE FINANCE	Provides mortgage financing to its clients for both finance and commecial purposes.
ASSET MANAGEMENT	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
INSURANCE OPERATIONS	Provides short term insurance and long term insurance. The Group also provides Risk Advisory Services to its clients as part of its insurance operations function.
PROPERTY INVESTMENTS	Property investment arm of the Group.
OTHER OPERATIONS	Other operations provided by the Group include microfinancing package by Redsphere Finances and the equity investment by the Holdings Company.

The table below shows the segment operational results for the year ended 31 December 2018:

33.1 Segment operational results

	Commercial banking US$	Mortgage finance US$	Asset management US$	Insurance operations US$	Pr operty Investment US$	Other operations US$	Elimination of intersegment amounts US$	Consolidated US$
Income								
Total income for the year ended 31 December 2018	155 399 428	28 412 103	3 970 823	11 315 538	3 116 759	11 697 889	(14 461 509)	199 451 031
Total income for the year ended 31 December 2017	134 989 718	26 788 705	2 953 318	11 910 445	1 080 803	11 738 899	(14 428 043)	175 033 845
Net underwriting income for the year ended 31 December 2018	-	-	-	9 393 263	-	-	(155 728)	9 237 535
Net underwriting income for the year ended 31 December 2017	-	-	-	8 924 732	-	-	(848 446)	8 076 286
Depreciation & amortisation for the year ended 31 December 2018	7 966 969	1 351 587	38 552	366 968	42 719	92 824	71 430	9 931 049
Depreciation & amortisation for the year ended 31 December 2017	7 205 257	1 331 029	48 653	378 143	3 140	45 115	57 143	9 068 480
Impairment of assets for the year ended 31 December 2018	(1 165 914)	1 551 439	(103 122)	(376 052)	-	(235 281)	-	(328 930)
Impairment of assets for the year ended 31 December 2017	34 408 750	1 814 408	18 144	135 846	-	422 594	-	36 799 742
Results								
Profit before taxation for the year ended 31 December 2018	73 311 869	4 589 271	1 727 591	4 777 139	1 902 938	3 377 616	(6 596 297)	83 090 127
Profit before taxation for the year ended 31 December 2017	24 044 716	101 615	871 274	5 817 040	1 049 118	1 141 852	(5 908 480)	27 117 135
Cash flows:								
Used in operating activities for the year ended 31 December 2018	284 328 134	5 871 407	2 317 781	(663 597)	(2 182 999)	(3 016 856)	22 985 683	309 639 553
Used in operating activities for the year ended 31 December 2017	23 244 215	1 663 258	839 370	6 685 190	7 906	4 228 917	(10 252 046)	26 416 810
Used in investing activities for the year ended 31 December 2018	(6 059 007)	(315 379)	(1 745 643)	-	(331 169)	(821 396)	(9 673 415)	(18 946 009)
Used in investing activities for the year ended 31 December 2017	(2 842 596)	(394 295)	(389 086)	(3 372 595)	(28 232)	(1 221 418)	1 089 208	(7 159 015)
Used in financing activities for the year ended 31 December 2018	(5 440 000)	-	(61 397)	-	-	(3 958 747)	5 498 195	(3 961 949)
Used in financing activities for the year ended 31 December 2017	(4 950 000)	-	-	(1 026 664)	-	(2 545 493)	5 388 264	(3 133 893)
Total assets and liabilities								
Reportable segment liabilities for the year ended 31 December 2018	2 016 230 256	106 074 036	550 887	15 803 629	8 574 458	7 842 664	(20 943 704)	2 134 132 226
Reportable segment liabilities for the year ended 31 December 2017	1 803 406 290	99 093 779	512 281	12 053 121	753 052	12 039 035	(44 887 994)	1 882 969 564
Total segment assets for the year ended 31 December 2018	2 207 889 932	192 672 700	4 999 105	45 401 376	21 113 825	53 574 405	(75 718 583)	2 449 932 760
Total segment assets for the year ended 31 Decemeber 2017	1 991 519 135	191 631 709	3 805 933	37 044 316	11 496 276	55 968 226	(98 810 426)	2 192 655 169

34. RELATED PARTIES

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

Loans and advances to Directors' companies

	Gross limits US$	Utilised limits US$	Value of security US$
31 December 2018			
Loans to directors' companies	2 023 569	2 010 186	1 925 000
31 December 2017			
Loans to directors' companies	1 969 998	1 831 865	2 650 800

The loans to directors' companies above include companies directly owned or significantly influenced by executive and non executive directors and/or their close family members.The loans above are provided at commercial terms with interest rates ranging from 10% to 12% and a tenure ranging from 1 month to 3 years. The loans to directors and key management personnel are shown in note 12.3.

Transactions with Directors' companies

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Interest income	303 795	584 145
Commission and fee income	2 732	3 591
	306 527	587 736

35. CLOSING EXCHANGE RATES

ZAR	14.4194	12.3946
GBP	1.2687	1.3495
EUR	1.1430	1.1956

36. RISK MANAGEMENT

36.1 Risk overview

CBZ Group Enterprise Wide Risk Management Framework is anchored on the desire to uphold a High Risk Management and Compliance Culture as one of the major strategic thrusts and is supported by a clearly defined risk appetite in terms of various key exposures. This approach has given direction to the Group's overall Going Concern underpinned by robust strategic planning and policies .Through the CBZ Group risk management function, the Group regularly carries risk analysis through value at risk (VaR) assessments, stress testing as well as simulations to ensure that there is congruency or proper alignment between its strategic focus and its desired risk appetite.

36.2 Group risk management framework

The Group's risk management framework looks at enterprise wide risks and recognises that for effective risk management to take root, it has to be structured in terms of acceptable appetite, defined responsibility, accountability and independent validation of set processes. The Group Board is responsible for setting and reviewing the risk appetite as well as Group Policies. Management and staff are responsible for the implementation of strategies aimed at the management and control of the risks that fall within their strategic organisational responsibilities. The CBZ Group Enterprise Wide Risk Management function is responsible for ensuring that the Group's risk taking remains within the set risk benchmarks. The Group Internal Audit function on the other hand provides independent assurance on the adequacy and effectiveness of the deployed risk management processes.

The CBZ Group Enterprise Wide Governance and Compliance Unit evaluates quality of compliance with policies, processes and governance structures.
In terms of risk governance, the Group Board has delegated authority to the following Group Board Committees whose membership consists of Non – Executive Directors of the Group:

Risk Management & Compliance Committee – has the responsibility for oversight and review of prudential risks comprising of but not limited to credit, liquidity, interest rate, exchange, investment, operational, equities, insurance, security, technological, reputational and compliance. Its other responsibilities includes reviewing the adequacy and effectiveness of the Group's risk management policies, systems and controls as well as the implications of proposed regulatory changes to the Group. It receives consolidated quarterly risk and compliance related reports from the Group Executive Management Committee (Group EXCO) and Group Risk Management Sub-Committee. The committee governance structures ensure that approval authority and risk management responsibilities are cascaded down from the Board through to the appropriate business units and functional committees. Its recommendations are submitted to the Group Board.

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

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

36.3 Credit risk

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

Credit risk management framework

Credit risk is managed through a framework of credit policies and standards covering the identification, management, measurement and control of credit risk. These policies are approved by the Board, which also delegates credit approvals as well as loans reviews to designated sub committees within the Group. Credit origination and approval roles are segregated.

The Group uses an internal rating system based on internal estimates of probability of default over a one year horizon and customers are assessed against a range of both quantitative and qualitative factors.

Credit concentration risk is managed within set benchmarks by counterparty or a group of connected counterparties, by sector, maturity profile and by credit rating. Concentration is monitored and reviewed through the responsible risk committees set up by the Board.

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

Credit mitigation

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

36.3. (a) Credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Balances with banks	359 483 940	77 786 933
Money market assets	70 741 297	47 953 444
Financial securities	1 244 941 623	897 728 855
Loans and advances to customers	486 996 095	941 408 103
Other assets	26 815 433	10 110 078
Total	2 188 978 388	1 947 987 413
Capital commitments	3 380 758	3 313 523
Guarantees	10 493 928	8 428 749
	13 874 686	11 742 272

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

The Group held cash equivalents of US$356 483 940 (excluding notes and coins) as at 31 December 2018, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

36.3(b) An industry sector analysis of the Group's financial assets before and after taking into account collateral held is as follows:

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$	AUDITED 31 DEC 2017 US$
	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)
Private	171 854 097	49 186 858	182 562 405	13 472 535
Agriculture	145 235 357	19 064 191	248 017 847	42 993 531
Mining	19 480 638	576 821	10 641 051	1 300 846
Manufacturing	47 962 342	9 574 124	67 034 854	21 591 547
Distribution`	98 661 187	11 967 875	92 677 855	26 989 931
Construction	9 258 502	730 158	8 603 879	1 646 653
Transport	7 358 247	985 514	8 370 306	2 222 530
Communication	1 539 099	-	127 705	-
Services	83 874 835	2 994 125	162 740 665	6 752 346
Financial organisations	13 475 564	-	239 256 487	-
Total	**598 699 868**	**95 079 666**	**1 020 033 054**	**116 969 919**

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Collateral held		
Mortgage bonds	576 929 361	935 716 037
Cash cover	7 404 584	15 290 945
Other forms of security including Notarial General Covering Bonds (NGCBs) cessions, etc.	185 471 716	760 471 807
	769 805 661	**1 711 478 789**

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

36.3 (c) Impairment allowance on financial assets

a. Loans and advances to customers

(i) The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment "allowances. Details of the Group's internal grading system are explained in Note 36.3.1

			Audited 31 Dec 2018				Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	349 263 721	21 942 162	-	-	371 205 883	543 835 664
Special mention	"4a - 7c"	9 632 032	117 731 719	-	-	127 363 751	273 425 103
Non- performing	"8 - 10"	-	-	100 130 234	-	100 130 234	202 772 288
Total		**358 895 753**	**139 673 881**	**100 130 234**	**-**	**598 699 868**	**1 020 033 055**

(ii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances is as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	534 319 102	252 614 159	233 099 793	1 020 033 054
New assets originated or purchased (excluding write offs)	167 457 404	29 195 825	1 272 127	197 925 356
Transfers from Stage 1	(75 433 721)	69 629 166	5 804 555	-
Transfers from Stage 2	29 530 068	(244 815 943)	215 285 875	-
Transfers from Stage 3	31 982 125	114 274 577	(146 256 702)	-
Repayments during the year	(328 959 225)	(81 223 903)	(155 120 515)	(565 303 643)
Amounts written off	-	-	(53 954 899)	(53 954 899)
Gross loans and advances to customers at 31 December 2018	**358 895 753**	**139 673 881**	**100 130 234**	**598 699 868**
ECL allowance at 31 December 2018	(17 119 672)	(30 537 323)	(64 046 778)	(111 703 773)
Net loans and advances to customers at 31 December 2018	**341 776 081**	**109 136 558**	**36 083 456**	**486 996 095**

b. Financial Securities

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment "allowances. Details of the Group's internal grading system are explained in Note 36.3.1

	Audited 31 Dec 2018						Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI)US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	1 244 996 137	-	-	-	1 244 996 137	899 862 222
Total		**1 244 996 137**	**-**	**-**	**-**	**1 244 996 137**	**899 862 222**

(ii). An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to financial securities as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	899 862 222	-	-	899 862 222
New assets originated or purchased (excluding write offs)	435 442 967	-	-	435 442 967
Transfers	-	-	-	-
Maturities during the year	(90 309 052)	-	-	(90 309 052)
At 31 December 2018	**1 244 996 137**	**-**	**-**	**1 244 996 137**
ECL allowance at 31 December 2018	(54 514)	-	-	(54 514)
Net financial securities to customers at 31 December 2018	**1 244 941 623**	**-**	**-**	**1 244 941 623**

c. Money market

(i) The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment "allowances. Details of the Group's internal grading system are explained in Note 36.3.1

	Audited 31 Dec 2018						Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	70 744 174	-	-	-	70 744 174	45 820 077
Total		**70 744 174**	**-**	**-**	**-**	**70 744 174**	**45 820 077**

(ii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to money market assets is as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	45 820 077	-	-	45 820 077
New assets originated or purchased (excluding write offs)	56 344 237	-	-	56 344 237
Transfers	-	-	-	-
Maturities during the year	(31 420 140)	-	-	(31 420 140)
At 31 December 2018	**70 744 174**	**-**	**-**	**70 744 174**
ECL allowance at 31 December 2018	(2 877)	-	-	(2 877)
Net money market to customers at 31 December 2018	**70 741 297**	**-**	**-**	**70 741 297**

d. Financial guarantees

(i) The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment "allowances. Details of the Group's internal grading system are explained in Note 36.3.1

			Audited 31 Dec 2018				Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	10 493 928	-	-	-	10 493 928	8 428 749
Special mention	"4a - 7c"	-	-	-	-	-	-
Total		**10 493 928**	**-**	**-**	**-**	**10 493 928**	**8 428 749**

(ii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to financial guarantees is as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	8 428 749	-	-	8 428 749
New assets originated or purchased (excluding write offs)	10 193 330	-	-	10 193 330
Guarantees expired during the year	(8 128 151)	-	-	(8 128 151)
At 31 December 2018	**10 493 928**	**-**	**-**	**10 493 928**
ECL allowance at 31 December 2018	(80 816)	-	-	(80 816)
Net financial guarantees to customers at 31 December 2018	**10 413 112**	**-**	**-**	**10 413 112**

The Group has taken into account, Circular to Banking Institutions No. 04-2017/BSD: IFRS 9 Adoption and Implementation Process which requires the Group to adopt a new model of classification and measurement of financial instruments. The guideline which was issued in line with International Financial Reporting Standard (IFRS) 9 issued by the International Accounting Standards Board (IASB) was effective for annual years beginning on or after 1 January 2018. The Group has designed IFRS 9 compliant Expected Credit Loss models and processes for capturing accurate data for measurement of credit impairments.

The Financial Assets that were impaired under IFRS 9 were Loans, Overdrafts, Leases, Bank Guarantees, and Letters of Credit, Credit Cards Facilities, Money Market Placements and Treasury Bills. Expected Credit Losses of these assets were calculated as at 31 December 2018.
Expected Credit Losses is determined through a combination of expected credit exposures (Exposure-at-Default), likelihood of default occurring (Probability of Default) and anticipated Loss in the event of Default (Loss-Given-Default).

36.3.1 Definition of Parameters used for Calculation of Expected Credit Losses (ECL)

The Probability of Default (PD)
This is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed year if the facility has not been previously derecognised and is still in the portfolio.

The Exposure at Default (EAD)
This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The Loss Given Default (LGD)
This is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.
When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.
With the exception of credit cards and other revolving facilities, the maximum year for which the credit losses are determined is the contractual life of a financial instrument, unless the Group has the legal right to call it earlier.
Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Significant increase in credit risk and Stage Recognition
The CBZ Group has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. Credit risk has increased significantly when contractual payments are more than 30 days past due.
Key consideration for a significant change in credit risk under a financial asset include the following;

i) The counterparty rating deteriorates.
ii) Breaches in conditionality or covenants.
iii) Deterioration in account conduct.
iv) Any corporate action relating to changes in corporate structure, control, acquisitions or disposals,
v) Significant changes in executive leadership.
vi) Any other factor that is reasonably expected to have a negative impact on prospects for repayment, including but not limited to legislative changes, perceived sectoral risks, and negative media coverage.
vii) Actual or expected significant change in the financial instrument's external credit rating (Credit Reference Bureau rating).
viii) Declining Asset Quality
ix) Reduction in financial support from the parent company
x) Expected changes in the loan agreement terms and conditions.
xi) Changes in group parents payment pattern
xii) Decision to change collateral
xiii) Deterioration of macro-economic factors of the borrower

Based on financial asset's stage, 12 Months and Life-Time Expected Credit Losses were calculated.

a) 12 Months Expected Credit Losses is a portion of Lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
b) Lifetime Expected Credit Losses are the expected present value of losses that arise if borrowers default on their obligations at some time during the life of the financial asset. These are weighted average credit losses that result from all possible default events over the expected life of the financial asset/ or instrument.

Stage 1: (Performing)
The financial assets in this stage are neither past due nor specifically impaired, and are current and fully compliant with all contractual terms and conditions. When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. The Group calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: (Underperforming)
The assets have early arrears but not specifically impaired loans. It covers all loans where the counterparties have failed to make contractual payments and are less than 90 days past due, but are expected that the full carrying values will be recovered when considering future cash flows including collateral. When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: (Credit Impaired)
For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. LTECLs were calculated for all the assets which were classified under this stage. Loans satisfying the followings were classified under Stage 3;

a) Instalments (Principal and Interest) were due and unpaid for 90 days or more.
b) The Group had identified objective evidence of default, such as a breach of a material loan covenant or condition (there is marked significant increase in credit risk i.e deterioration in asset quality).
c) The Group had sufficient evidence about significant financial difficulties of the borrower contrary to cash flow projections.
d) High probability of bankruptcy or other financial reorganization of the borrower has been identified.

Under this stage interest revenue recognised was based on Amortised Cost ie Gross exposure amount less allowance. The estimate of cash flow expected from collateral and credit enhancements were also factored.

Purchased or originated credit impaired (POCI)
Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Cure, Modification and Forbearance of Financial Assets

During the year under Review, some of the financial assets were cured, modified and forborne.

Curing

Cure is the reclassification of a non-performing asset or underperforming into performing status. To be reclassified as performing, a non-performing forborne exposure should fulfill the general requirements for reclassifying exposures from non-performing to performing as well as specific requirements applicable to forborne exposures. Clients whose exposures were cured had met the following conditions;

a) Completion of a "cure year" of six months by non-performing forborne exposures and that the debtor's behaviour demonstrates that financial difficulties no longer exist.
b) The borrower should have settled, by means of regular payments, an amount equivalent to all the amounts past due on the date the forbearance measures were granted (if there were past-due amounts at this date), or to the amount written-off as part of these forbearance measures (if there was no past-due amount at the date of the forbearance measures).
c) It has been established that the obligor has been able to meet the requirements of the revised terms and conditions.
d) The borrower should have settled 6 full consecutive monthly payments under the revised terms.

Cure constituted the following in each of the respective impairment stages;

Account Cure	Impairment triggers
Move from stage 3 to stage 2 (decrease in credit risk)	• Modifications
Move from stage 3 to stage 1 (decrease in credit risk)	• Restructured loans
Move from stage 2 to stage 1 (reduction in credit risk signified by migration from low credit risk or no significant increase in credit risk)	• Arrears re-spread • Arrears deferred • Loan term extended • Arrears deferred and re-spread

Modification and Forbearance
These are formal, contractual agreements between the customer and the Group to change cash flows from that originally agreed or previously amended as well as contractual terms and conditions. Where a contract was subjected to some or all of the above forbearance measures, it was referred to as modification. It was also referred to as Restructuring by the Group. Modification in some instances resulted in change in PD, instalment and interest rate among other factors.

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.
If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Beginning 1 January 2018, any loan that has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum six months' probation year. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing
- The probation year of six months has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation year
- The customer does not have any contract that is more than 30 days past due

Derecognition
Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. The Group de-recognizes a financial asset when, and only when:
a) the contractual rights to the cash flows from the financial asset expire, or
b) It transfers the financial asset and the transfer qualifies for de-recognition.

Write-offs
The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense

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

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

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

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

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

The primary funding sources under the Group are customer deposits made up of current, savings and term deposits and these are diversified by customer type and maturity profile. The Group, through the ALCO processes and statement of finacial position management ensures that asset growth and maturity are funded by appropriate growth in deposits and stable funding, respectively.

36.4.1 Contractual Gap analysis

CONTRACTUAL LIQUIDITY PROFILE AS AT 31 DECEMBER 2018

	Less than 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Total US$
Assets							
Balances with banks and cash	376 338 271	-	-	-	-	-	376 338 271
Money market assets	20 344 501	788 486	1 742 551	47 865 759	-	-	70 741 297
Financial securities	-	62 761 150	42 461 639	27 704 364	204 330 944	907 683 526	1 244 941 623
Loans and advances to customers	174 353 602	31 146 086	25 084 057	48 777 699	85 614 868	122 019 783	486 996 095
Insurance assets	914 188	3 571 866	-	174 574	-	-	4 660 628
Financial guarantees	39 160	7 160 176	910 976	2 383 616	-	-	10 493 928
Current tax receivable	-	895 211	-	394 163	-	-	1 289 374
Other liquid assets	672 584	26 142 851	-	-	-	-	26 815 435
Total assets	**572 662 306**	**132 465 826**	**70 199 223**	**127 300 175**	**289 945 812**	**1 029 703 309**	**2 222 276 651**
Liabilities							
Deposits	1 705 837 398	271 275 832	30 004 585	22 457 367	31 147 671	18 432 542	2 079 155 395
Insurance liabilities	-	2 870 359	1 324 675	-	-	-	4 195 034
Other liabilities	1 798 626	35 062 879	456 811	271 599	-	-	37 589 915
Current tax payable	106 655	-	-	-	-	-	106 655
Life Fund	497 124	-	-	-	-	-	497 124
Investment contract liabilities	2 393 424	-	-	-	-	-	2 393 424
Financial guarantees	39 160	7 160 176	910 976	2 383 616	-	-	10 493 928
Capital Commitments	-	2 944 505	-	5 453	-	-	2 949 958
Total liabilities	**1 710 672 387**	**319 313 751**	**32 697 047**	**25 118 035**	**31 147 671**	**18 432 542**	**2 137 381 433**
Liquidity gap	**(1 138 010 081)**	**(186 847 925)**	**37 502 176**	**102 182 140**	**258 798 141**	**1 011 270 767**	**84 895 218**
Cumulative liquidity gap	**(1 138 010 081)**	**(1 324 858 006)**	**(1 287 355 830)**	**(1 185 173 690)**	**(926 375 549)**	**84 895 218**	**84 895 218**

CONTRACTUAL LIQUIDITY PROFILE AS AT 31 DECEMBER 2017

	Less than 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Total US$
Assets							
Balances with banks and cash	89 606 676	-	-	-	-	-	89 606 676
Money market assets	12 049 193	5 636 122	167 255	27 967 507	-	-	45 820 077
Financial securities	-	26 649 412	5 678 424	38 007 224	232 726 096	596 801 066	899 862 222
Loans and advances to customers	361 829 276	91 130 232	33 840 187	51 701 203	84 468 977	318 438 228	941 408 103
Insurance assets	206 475	190 531	-	2 442 131	-	-	2 839 137
Financial guarantees	79 719	922 904	2 582 924	4 416 605	426 597	-	8 428 749
Current tax receivable	-	621 938	-	-	-	-	621 938
Other liquid assets	411 435	9 698 643	-	-	-	-	10 110 078
Total	**464 182 774**	**134 849 782**	**42 268 790**	**124 534 670**	**317 621 670**	**915 239 294**	**1 998 696 980**
Liabilities							
Deposits	1 457 852 540	207 618 305	104 566 539	22 575 703	46 583 659	14 480 927	1 853 677 673
Insurance liabilities	-	-	-	1 583 068	-	-	1 583 068
Other liabilities	1 768 969	14 239 980	-	378 688	1 541 604	21 967	17 951 208
Current tax payable	-	18 055	-	-	-	-	18 055
Life Fund	526 853	-	-	-	-	-	526 853
Investment contract liabilities	1 806 932	-	-	-	-	-	1 806 932
Financial guarantees	79 719	922 904	2 582 924	4 416 605	426 597	-	8 428 749
Capital commitments contracted for	-	-	-	3 313 523	-	-	3 313 523
Total	**1 462 035 013**	**222 799 244**	**107 149 463**	**32 267 587**	**48 551 860**	**14 502 894**	**1 887 306 061**
Liquidity gap	**(997 852 239)**	**(87 949 462)**	**(64 880 673)**	**92 267 083**	**269 069 810**	**900 736 400**	**111 390 919**
Cumulative liquidity gap	**(997 852 239)**	**(1 085 801 701)**	**(1 150 682 374)**	**(1 058 415 291)**	**(789 345 481)**	**111 390 919**	**111 390 919**

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

The Group's SBUs carry out static statement of financial position analysis to track statement of financial position growth drivers, the pattern of core banking deposits, statement of financial position structure, levels and direction of the SBU's maturity mismatch and related funding or liquidity gap. The Group also relies on stress testing under various scenarios i.e moderate, extreme and severe in line with RBZ Recovery Planning Guideline to assess and manage liquidity risk. The Asset and Liability Management Committee (ALCO) of the respective SBU comes up with strategies to manage these liquidity gaps through funding gap limits. Additionally, the Group models asset and liability behaviours to measure liquidity risk from a behavioural perspective.

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

	CBZ Bank Limited %
At 31 December 2018	64.24
At 31 December 2017	43.42
Average for the year	49.96
Maximum for the year	65.27
Minimum for the year	41.32

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

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

At 31 December 2018, if interest rates (both earning and paying rates) at that date had been 15 basis points higher or lower with all other variables held constant, post tax profit would have been US$1 851 518 lower or higher respectively than the reported position. This arises as a result of the sensitivity of the net interest assets in the movement in the interest rates.

36.5.1 Interest rate repricing

Audited 31 Dec 2018	Less than 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non– interest bearing US$	Total US$
Assets								
Balances with banks and cash	54 082 249	–	–	–	–	–	322 256 022	376 338 271
Money market assets	20 344 501	788 486	1 742 551	47 865 759	–	–	–	70 741 297
Financial securities	–	62 761 150	42 461 639	27 704 364	204 330 944	907 683 526	–	1 244 941 623
Loans and advances to customers	174 353 602	31 146 086	25 084 057	48 777 699	85 614 868	122 019 783	–	486 996 095
Insurance assets	–	–	–	–	–	–	8 793 176	8 793 176
Equity investments	–	–	–	–	–	–	26 000 396	26 000 396
Other assets	–	–	–	–	–	–	81 736 229	81 736 229
Current tax receivable	–	–	–	–	–	–	1 490 449	1 490 449
Intangible assets	–	–	–	–	–	–	1 613 698	1 613 698
Investment properties	–	–	–	–	–	–	37 558 578	37 558 578
Property and equipment	–	–	–	–	–	–	77 429 469	77 429 469
Deferred taxation	–	–	–	–	–	–	36 293 479	36 293 479
Total assets	**248 780 352**	**94 695 722**	**69 288 247**	**124 347 822**	**289 945 812**	**1 029 703 309**	**593 171 496**	**2 449 932 760**
Equity & Liabilities								
Deposits	1 705 837 398	271 275 832	30 004 585	22 457 367	31 147 671	18 432 542	–	2 079 155 395
Insurance liabilities	–	–	–	–	–	–	9 040 319	9 040 319
Other liabilities	–	–	–	–	–	–	37 589 913	37 589 913
Current tax payable	–	–	–	–	–	–	106 655	106 655
Life Fund	–	–	–	–	–	–	1 593 605	1 593 605
Investment contract liabilities (Long term Insurance)	–	–	–	–	–	–	2 393 424	2 393 424
Deferred taxation	–	–	–	–	–	–	4 252 915	4 252 915
Equity	–	–	–	–	–	–	315 800 534	315 800 534
Total liabilities and equity and reserves	**1 705 837 398**	**271 275 832**	**30 004 585**	**22 457 367**	**31 147 671**	**18 432 542**	**370 777 365**	**2 449 932 760**
Interest rate repricing gap	**(1 457 057 046)**	**(176 580 110)**	**39 283 662**	**101 890 455**	**258 798 141**	**1 011 270 767**	**222 394 131**	**–**
Cumulative gap	**(1 457 057 046)**	**(1 633 637 156)**	**(1 594 353 494)**	**(1 492 463 039)**	**(1 233 664 898)**	**(222 394 131)**	**–**	**–**

Audited 31 Dec 2017	Less than 1 month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non– interest bearing US$	Total US$
Assets								
Balances with banks and cash	5 958 198	–	–	–	–	–	83 648 478	89 606 676
Money market assets	12 049 193	5 636 122	167 255	27 967 507	–	–	–	45 820 077
Financial securities	–	26 649 412	5 678 424	38 007 224	232 726 096	596 801 066	–	899 862 222
Loans and advances to customers	361 829 276	91 130 232	33 840 187	51 701 203	84 468 977	318 438 228	–	941 408 103
Insurance assets	–	–	–	–	–	–	4 812 830	4 812 830
Equity investments	–	–	–	–	–	–	10 687 540	10 687 540
Other assets	–	–	–	–	–	–	72 016 809	72 016 809
Current tax receivable	–	–	–	–	–	–	621 938	621 938
Intangible assets	–	–	–	–	–	–	2 530 080	2 530 080
Investment properties	–	–	–	–	–	–	33 950 354	33 950 354
Property and equipment	–	–	–	–	–	–	71 605 721	71 605 721
Deferred taxation	–	–	–	–	–	–	19 732 819	19 732 819
Total assets	**379 836 667**	**123 415 766**	**39 685 866**	**117 675 934**	**317 195 073**	**915 239 294**	**299 606 569**	**2 192 655 169**
Equity and liabilities								
Deposits	1 457 852 540	207 618 305	104 566 539	22 575 7 03	46 583 659	14 480 927	–	1 853 677 673
Insurance liabilities	–	–	–	–	–	–	5 453 852	5 453 852
Other liabilities	–	–	–	–	–	–	17 951 208	17 951 208
Current tax payable	–	–	–	–	–	–	18 055	18 055
Life fund	–	–	–	–	–	–	1 465 928	1 465 928
Life assurance investment contract liabilities	–	–	–	–	–	–	1 806 932	1 806 932
Deferred taxation	–	–	–	–	–	–	2 595 916	2 595 916
Equity	–	–	–	–	–	–	309 685 605	309 685 605
Total liabilities and equity and reserves	**1 457 852 540**	**207 618 305**	**104 566 539**	**22 575 703**	**46 583 659**	**14 480 927**	**338 977 496**	**2 192 655 169**
Interest rate repricing gap	**(1 078 015 873)**	**(84 202 539)**	**(64 880 673)**	**95 100 231**	**270 611 414**	**900 758 367**	**(39 370 927)**	**–**
Cumulative gap	**(1 078 015 873)**	**(1 162 218 412)**	**(1 227 099 085)**	**(1 131 998 854)**	**(861 387 440)**	**39 370 927**	**–**	**–**

36.6 Exchange rate risk

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

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

At 31 December 2018, if foreign exchange rates at that date had weakened or strengthened by 5 percentage points with all other variables held constant, post tax profit for the year would have been US$227 636 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Group as at 31 December 2018 is as below:

Foreign currency position as at 31 December 2018

Position expressed in US$	Total	USD	ZAR	GBP	EUR	Other foreign currencies
Assets						
Balances with banks and cash	376 338 271	371 561 187	2 462 768	151 953	580 181	1 582 182
Money market assets	70 741 297	60 317 752	–	–	–	10 423 545
Financial securities	1 244 941 623	1 241 579 206	–	–	–	3 362 417
Loans and advances to customers	486 996 095	480 848 847	135 447	1 298	6 009 471	1 032
Insurance assets	8 793 176	8 176 204	–	–	–	616 972
Equity investments	26 000 396	21 131 360	–	–	313 472	4 555 564
Other assets	81 736 229	81 518 046	116 329	30 801		71 053
Current tax receivable	1 490 449	1 490 406	–	–	–	43
Intangible assets	1 613 698	1 367 486	–	–	–	246 212
Investment properties	37 558 578	37 558 578	–	–	–	–
Property and equipment	77 429 469	76 724 662	394 791	–	76 108	233 908
Deferred taxation	36 293 479	36 293 479	–	–	–	–
	2 449 932 760	**2 418 567 213**	**3 109 335**	**184 052**	**6 979 232**	**21 092 928**
Equity & Liabilities						
Deposits	2 079 155 395	2 069 306 040	3 354 745	162 038	5 926 518	406 054
Insurance liabilities	9 040 319	9 040 319	–	–	–	–
Other liabilities	37 589 913	35 312 773	173 768	9 838	73 201	2 020 333
Current tax payable	106 655	106 655	–	–	–	–
Life Fund	1 593 605	–	–	–	–	1 593 605
Life assurance investment contract liabilities	2 393 424	–	–	–	–	2 393 424
Deferred taxation	4 252 915	4 252 915	–	–	–	–
Equity	315 800 534	294 640 516	–	–	–	21 160 018
Total equity and liabilities	**2 449 932 760**	**2 412 659 218**	**3 528 513**	**171 876**	**5 999 719**	**27 573 434**

Foreign currency position as at 31 December 2017

Position expressed in US$	Total	USD	ZAR	GBP	EUR	Other foreign currencies
Assets						
Balances with banks and cash	89 606 676	85 518 473	3 783 853	68 483	94 200	141 667
Money market assets	45 820 077	45 820 077	–	–	–	–
Financial securities	899 862 222	899 862 222	–	–	–	–
Loans and advances to customers	941 408 103	931 311 635	56 997	258 980	9 779 343	1 148
Insurance assets	4 812 830	4 812 830	–	–	–	–
Equity investments	10 687 540	10 543 639	–	–	143 901	–
Other assets	72 016 809	71 141 623	283 318	62 549	529 319	–
Current tax receivable	621 938	621 938	–	–	–	–
Intangible assets	2 530 080	2 530 080	–	–	–	–
Investment properties	33 950 354	33 950 354	–	–	–	–
Property and equipment	71 605 721	71 605 721	–	–	–	–
Deferred taxation	19 732 819	19 732 819	–	–	–	–
Total assets	**2 192 655 169**	**2 177 451 411**	**4 124 168**	**390 012**	**10 546 763**	**142 815**
Equity and liabilities						
Deposits	1 853 677 673	1 840 667 716	2 891 877	145 512	9 787 096	185 472
Insurance liabilities	5 453 852	5 453 852	–	–	–	–
Other liabilities	17 951 208	17 908 278	11 526	21 313	9 785	306
Current tax payable	18 055	18 055	–	–	–	–
Life fund	1 465 928	1 465 928	–	–	–	–
Life assurance investment contract liabilities	1 806 932	1 806 932	–	–	–	–
Deferred taxation	2 595 916	2 595 916	–	–	–	–
Equity	309 685 605	309 685 605	–	–	–	–
Total equity and liabilities	**2 192 655 169**	**2 179 602 282**	**2 903 403**	**166 825**	**9 796 881**	**185 778**

Foreign currency position as at 31 December 2018

Underlying currency	ZAR	GBP	EUR	Other foreign currencies in US$
Assets				
Balances with banks and cash	35 511 634	119 771	507 595	235 978
Loans and advances to customers	1 953 068	1 023	5 257 630	1 035
Other assets	1 677 398	24 278	–	–
Equity investments	–	–	274 253	–
Property and equipment	5 692 655	–	66 587	–
Total assets	**44 834 755**	**145 072**	**6 106 064**	**237 013**
Liabilities				
Deposits	48 373 403	127 720	5 185 055	406 054
Other liabilities	2 131 744	7 755	64 043	325
Total liabilities	**50 505 147**	**135 475**	**5 249 098**	**406 378**
Net position	**(5 670 392)**	**9 597**	**856 966**	**(169 366)**

Foreign currency position as at 31 December 2017

Underlying currency	ZAR	GBP	EUR	Other foreign currencies in US$
Assets				
Cash and short term assets	46 899 345	50 860	78 789	141 667
Loans and advances to customers	706 454	192 337	8 179 444	1 148
Equity investments	–	–	120 359	–
Other assets	3 511 608	46 453	442 722	–
Total assets	**51 117 407**	**289 650**	**8 821 314**	**142 815**
Liabilities				
Deposits	35 843 656	108 067	8 185 928	185 472
Other liabilities	142 862	15 828	8 184	306
Total liabilities	**35 986 518**	**123 895**	**8 194 112**	**185 778**
Net position	**15 130 889**	**165 755**	**627 202**	**(42 963)**

36.7 Operational risk

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

36.7.1 Operational risk management framework

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

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

36.8 Strategic risk

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

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

36.9 Regulatory risk

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

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

36.10 Reputation risk

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

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

36.11 Money-laundering risk

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

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

36.12 Insurance risk

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

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

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

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

36.13 Risk and Credit Ratings

36.13.1 External Credit Rating

CBZ Bank Limited

Rating agent	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Global Credit Rating	A	A	A	A	A+	A+	A+	A+	A	A	A	A+

CBZ Life Private Limited

Rating agent	2018	2017	2016	2015	201 4	2013	2012	2011	2010	2009	2008	2007
Global Credit Rating (Financial strength)	A-	BBB+	BBB+	BBB+	-	-	-	-	-	-	-	-

CBZ Insurance Private Limited

Rating agent	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Global Credit Rating(Claims paying ability)	BBB+	BBB+	BBB	BBB	-	-	-	-	-	-	-	-

CBZ Asset Management Private Limited

Rating agent	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Global Credit Rating (Manager quality)	A	A	A	A	-	-	-	-	-	-	-	-

36.13.2 Reserve Bank Ratings

CAMELS RATING MATRIX - 31 DECEMBER 2017 RBZ ONSITE EXAMINATION

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

Key

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

36.13.3 Risk Matrix Summary - Reserve Bank

CBZ Bank Limited
Risk Matrix Summary

Type of risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Moderate	Acceptable	Moderate	Stable
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	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputation Risk	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

KEY

Level of inherent risk

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

Moderate - could reasonably be expected to result in a loss which could be absorbed by an 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.

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 down 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 recognised 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 financial institution's risk tolerance, responsibilities are effectively communicated.

Overall Composite Risk

Low Risk – 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 - risk management effectively identifies and controls all types of risk posed by the relevant functional areas, 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.

Direction of Overall Composite Risk Rating

Increasing - based on the current information, composite risk is expected to increase in the next twelve months.

Decreasing - based on current information, composite risk is expected to decrease in the next twelve months.

Stable - based on the current information, composite risk is expected to be stable in the next twelve months.

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Group's 31 December 2018 reporting date, on 22nd of February 2019, the Government of Zimbabwe issued Statutory Instrument (S.I) 33 of 2019 as an amendment to the Reserve Bank of Zimbabwe Act. It introduced a new currency called the RTGS Dollar and also specified, that for accounting and other purposes, all assets and liabilities, that were immediately before the effective date, valued in United States Dollars (other than assets and liabilities referred to in section 44C (2) of the Reserve Bank of Zimbabwe Act) shall on and after the effective date be deemed to be values in RTGS dollars at a rate of one-to-one to the United States Dollar. In essence, the Statutory instrument became prescriptive to the accounting treatment otherwise under the ambit of International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates).

On the same day, The Exchange Control Directive RU 28 of 2019 was issued and it introduced an interbank market for the RTGS Dollar and the USD as well as other existing currencies in the multi-currency system. The exchange rate between the USD and newly introduced RTGS Dollar and the exchange rate was set at USD1: RTGS$2.5.

The Directors are of the view that the requirement to comply with the Statutory Instrument and the guidance issued by the Public Accountants and Auditors Board on 21 March 2019) has created inconsistencies with International Accounting Standard (IAS) 10 (Events after the reporting period). This has resulted in the accounting treatment adopted by the Group in the 2018 Financial Statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRSs.

The impact on the 2018 Statement of Financial Position (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates is shown below:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

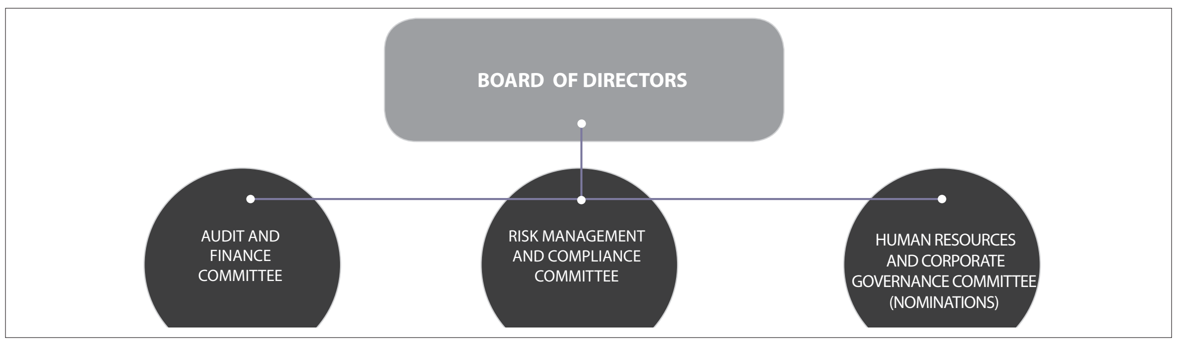
	Total RTGS $ Assets/ Liabilities Balances	Total US$ Monetary Assets/ Liabilities Nostro FCA USD	Total US$ Non–monetary Assets/ Liabilities Nostro FCA USD	Total Translated at a rate of US$1:RTGS$1	Total RTGS $ Translated at a rate of US$1:RTGS$2.5	Total RTGS $ Translated at a rate of US$1:RTGS$4	Total RTGS $ Translated at a rate of US$1:RTGS$5
ASSETS							
Balances with banks and cash	328 841 526	47 496 745	–	376 338 271	447 583 388	518 828 506	566 325 251
Money market assets	70 741 297	–	–	70 741 297	70 741 297	70 741 297	70 741 297
Financial securities	1 244 941 623	–	–	1 244 941 623	1 244 941 623	1 244 941 623	1 244 941 623
Loans and advances to customers	480 820 875	6 175 220	–	486 996 095	496 258 925	505 521 755	511 696 975
Insurance assets	8 793 176	–	–	8 793 176	8 793 176	8 793 176	8 793 176
Equity investments	19 305 801	–	6 694 595	26 000 396	36 042 288	46 084 181	52 778 776
Other assets	28 503 510	1 145	53 231 574	81 736 229	161 585 307	241 434 386	294 667 105
Current tax receivable	1 490 449	–	–	1 490 449	1 490 449	1 490 449	1 490 449
Intangible assets	1 613 698	–	–	1 613 698	1 613 698	1 613 698	1 613 698
Investment properties	9 468 424	–	28 090 154	37 558 578	79 693 809	121 829 040	149 919 194
Property and equipment	18 029 797	–	59 399 672	77 429 469	166 528 977	255 628 485	315 028 157
Deferred taxation	36 293 479	–	–	36 293 479	36 293 479	36 293 479	36 293 479
TOTAL ASSETS	**2 248 843 655**	**53 673 110**	**147 415 995**	**2 449 932 760**	**2 751 566 416**	**3 053 200 075**	**3 254 289 180**
LIABILITIES							
Deposits	2 006 244 332	72 911 063	–	2 079 155 395	2 188 521 990	2 297 888 584	2 370 799 647
Insurance liabilities	9 022 457	17 862	–	9 040 319	9 067 112	9 093 905	9 111 767
Other liabilities	37 309 074	83 535	197 304	37 589 913	38 011 172	38 432 430	38 713 269
Current tax payable	106 655	–	–	106 655	106 655	106 655	106 655
Life Fund	1 593 605	–	–	1 593 605	1 593 605	1 593 605	1 593 605
Investment contract liabilities	2 393 424	–	–	2 393 424	2 393 424	2 393 424	2 393 424
Deferred taxation	4 252 915	–	–	4 252 915	4 252 915	4 252 915	4 252 915
	2 060 922 462	**73 012 460**	**197 304**	**2 134 132 226**	**2 243 946 872**	**2 353 761 518**	**2 426 971 282**
EQUITY							
Share capital	6 869 625	–	–	6 869 625	6 869 625	6 869 625	6 869 625
Share premium	40 023 014	–	–	40 023 014	40 023 014	40 023 014	40 023 014
Revaluation reserve	32 139 314	–	–	32 139 314	32 139 314	32 139 314	32 139 314
Treasury shares	(17 588 582)	–	–	(17 588 582)	(17 588 582)	(17 588 582)	(17 588 582)
Share option reserve	1 163 806	–	–	1 163 806	1 163 806	1 163 806	1 163 806
Revenue reserves	244 917 776	–	–	244 917 776	244 917 776	244 917 776	244 917 776
Foreign currency translation reserve	–	–	–	–	191 819 010	383 638 023	511 517 364
Fair value reserve	8 153 639	–	–	8 153 639	8 153 639	8 153 639	8 153 639
Equity attributable to equity holders of the parent	**315 678 592**	**–**	**–**	**315 678 592**	**507 497 602**	**699 316 615**	**827 195 956**
Non controlling interests	121 942	–	–	121 942	121 942	121 942	121 942
TOTAL EQUITY	**315 800 534**	**–**	**–**	**315 800 534**	**507 619 544**	**699 438 557**	**827 317 898**
TOTAL LIABILITIES AND EQUITY	**2 376 722 996**	**73 012 460**	**197 304**	**2 449 932 760**	**2 751 566 416**	**3 053 200 075**	**3 254 289 180**

CORPORATE GOVERNANCE

The Group recognizes the need to conduct the affairs of the company with integrity and in line with best corporate governance practices. In order to protect stakeholders' interests at all times, the Group has designed systems, procedures and practices that foster a culture that values ethical behaviour, integrity and respect.

The Group continues to apply high corporate governance standards aimed at ensuring the on-going sustainability of the business, the creation of long-term shareholder value and stakeholder benefit from the Group's on-going success. The Board of Directors is responsible for ensuring that the Group has a clearly defined governance and compliance framework. The Board is primarily accountable to shareholders, while also considering the interests of other stakeholders such as customers, employees, suppliers, regulators and the community. In an environment of increasing change and complexity of regulation, management aims to achieve a balance between the governance expectations of shareholders and other stakeholders, and the need to generate competitive financial returns.

GOVERNANCE STRUCTURE



THE BOARD OF DIRECTORS

This is the main decision making body, setting the strategic direction of the Group and ensuring that the Group manages risk effectively. The Board is collectively responsible for the long term success of the company and is accountable to shareholders for financial and operational performance. In addition, the board is responsible for the overall stewardship of the Group and in particular for its long term growth and profitability through implementation of agreed strategic policies and financial objectives. The Board comprises 10 directors being; an Independent non-executive chairman, two executive directors and seven non-executive directors.

Retirement and Appointment of New Directors
During the course of the year, Mr Tafadzwa Nyamayi and Ms Tsitsi Mutasa resigned from the Board on 31 January 2018 and 1 June 2018 respectively. The board recruited two Independent Non-Executive Directors, Mr John Matorofa who was appointed on 1 June 2018 and Mr Malcolm John Hollingworth who joined the Group on 1 September 2018.

The appointment of new directors is based on pre-established criteria having regard to the existing skills mix of the Board as a whole and having assessed areas where additional skill, expertise or experience is required. Appointments to the Board are made with due cognizance of the need to ensure that the board comprises a diverse range of skills, knowledge and expertise and has the requisite independence, including the professional and industry knowledge necessary to meet the Group's strategic objectives.

All appointments follow a transparent procedure and are subject to confirmation by shareholders at the Annual General Meeting. Before appointment, potential board appointees must undergo a fitness and Probity assessment in line with the Reserve Bank of Zimbabwe (RBZ) Prudential Guidelines and the Banking Act.

Appointment of Group CEO
During the course of the year the Board appointed Dr Blessing Mudavanhu as the Group CEO and as an Executive Director on 1 July 2018.

Banking Amendment Act 2015
Since the promulgation of the banking amendment act, 2015 the Group has taken all the necessary steps to comply with its provisions.

BOARD COMMITTEES

The Board committees continued to play a crucial role in the company's governance framework, undertaking their work comprehensively and effectively supporting the work of the board. The Board has established and delegated specific roles and responsibilities to three standing committees, to assist it in discharging its duties Standing committees are;- Audit and Finance Committee,Risk Management and Compliance Committee and Human Resources and Corporate Governance Committee (also sits as Nominations Committee).

The committees meet quarterly in accordance with their terms of reference and members of the executive committee and management attend meetings of the various committees by invitation

The Boards of Directors of the various units as at 31 December 2018 were constituted as tabulated below:

CBZ Holdings Limited	CBZ Bank Limited	CBZ Asset Management	CBZ Life Limited	CBZ Insurance	CBZ Risk Advisory	CBZ Properties
NM Matimba (Chairperson)	C.C. Mapfumba (Chairperson)	S.B. Naik (Chairperson)	R. Dawes (Chairperson)	A.K.T Matika (Chairperson)	L. Magorimbo (Chairperson)	I. Tigere (Chairperson)
F.M Dernawi	D.K Shinya	M.T.V Moyo	F.B Zizhou	S. B Naik	N. Ndlovu	C. Makwiranzou
R. Nhamo	Dr M.P.A Marufu	N. Mhlanga	Dr V. Masunda	W.R Chitiga	N. Marandu	M. Sinyoro
G. Taputaira	E.T Shangwa	C .F Mukanganga	H. Tshuma	Dr B. Mudavanhu	Dr B. Mudavanhu	Dr B. Mudavanhu
V. Zifudzi	Dr B. Mudavanhu	Dr B. Mudavanhu	Dr B. Mudavanhu	C. Chimutsa	C. Chimutsa	C. Chimutsa
W.J Annandale	C. Chimutsa	C. Chimutsa	C. Chimutsa	N. Mureriwa*	N. Mureriwa*	H. Bvumburai*
J Matorofa***	P. Zimunya*	J. Smith*	N. Mureriwa*			
M.J Hollingworth***	M T Mudondo*	T. Muzadzi*				
Dr B. Mudavanhu*						
C. Chimutsa*						

Key
* Executive Director
*** New member

CBZ HOLDINGS LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

	Audit & Finance	Joint Audit & Finance	Risk Management & Compliance	Special Risk Management & Compliance	HR & Corporate Governance	Special HR & Corporate Governance	Main Board	Total Committees	Total Boards
Meetings Held	4	1	3	1	4	5	4	18	4
Matimba, N	3 (By invite)	1	**	1	4	5	4	15	4
Dernawi, F M	**	–	2	1	**	**	4	3	4
Nyamayi, GT***	–	–	–	–	–	–	–	–	–
Mutasa, T***	**	1	2	–	2	3	1	9	1
Nhamo, R	**	1	**	**	4	5	4	10	4
Zifudzi, V	–	–	3	1	1	1	4	6	4
Taputaira, G	3	–	3	1	**	**	4	7	4
Annandale, WJ	4	1	**	–	1	1	4	7	4
Hollingworth, MJ	1	–	–	–	–	–	1	1	1
Matorofa, J	2	–	–	–	–	–	2	2	2
Mudavanhu, B (Dr)*	1	–	1	1	1	2	2	6	2
Zimunya, P****	2	–	2	1	2	2	2	n/a	2
C. Chimutsa*	4	1	3	–	1	**	4	n/a	4

Key
* - Executive Director
** - Not Member
*** - Retired
**** - Acting Group Chief Executive Officer

CBZ BANK LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

NAME	AUDIT & FINANCE	ALCO & BUSINESS	CREDIT	SPECIAL CREDIT	RISK MANAGEMENT	LOANS REVIEW	MAIN BOARD	TOTAL COMMITTEES	TOTAL MAIN BOARD
Number of meetings Held	*4*	*2*	*4*	*1*	*2*	*4*	*4*	*17*	*4*
CC Mapfumba	**	1	4	1	**	**	4	6	4
MPA Marufu	3	1	4	1	2	0	4	14	4
ET Shangwa	4	1	**	**	**	4	3	9	3
MP Karombo***	**	0	1	0	0	**	1	1	1
R Pasi***	**	1	1	0	0	**	1	2	1
B Mudavanhu (Dr) ****	2	0	**	**	1	2	1	5	1
D K Shinya	4	**	**	**	**	4	4	8	4
C Chimutsa	4	2	4	1	2	**	4	13	4
P Zimunya*	4	2	4	1	2	4	4	17	4
M Mudondo*	4	2	4	1	2	4	4	17	4

Key
* - Executive Director
** - Not Member
*** - Retired
**** - New Director

CBZ ASSET MANAGEMENT (PRIVATE) LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

NAME	AUDIT & COMPLIANCE	INVESTMENTS & RISK	MAIN BOARD	TOTAL COMMITTEES	TOTAL BOARDS
Meetings held	*3*	*4*	*4*	*7*	*4*
SB Naik	3	4	4	7	4
MTV Moyo	2	3	3	5	4
N Mhlanga	2	3	3	5	4
P Zimunya	1	2	2	3	4
B Mudavanhu (Dr) ***	1	1	1	2	4
CF Mukanganga***	1	1	1	2	4
C Chimutsa	3	4	4	7	4
JF Smith*	3	4	4	3	4
T Muzadzi*	**	4	4	2	4

Key
* - Executive Director
** - Not Member
*** - New Director

CBZ LIFE LIMITED BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

NAME	INVESTMENTS & RISK	MAIN BOARD	TOTAL COMMITTEES	TOTAL BOARDS
Meetings held	4	4	4	4
R Dawes	**	4	**	4
F B Zizhou	3	3	3	3
V Masunda (Dr)	4	4	4	4
H Tshuma	2	2	2	2
P Zimunya	2	2	2	2
B Mudavanhu (Dr) ***	0	0	0	0
C Chimutsa	4	4	4	4
*N Mureriwa	4	4	4	4

Key
* - Executive Director
** - Not Member
*** - New Director

CBZ RISK ADVISORY SERVICES BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

NAME	MAIN BOARD	TOTAL BOARDS
Meetings Held	*4*	*4*
L Magorimbo	4	4
N Ndlovu	4	4
N Marandu	2	2
P Zimunya	2	2
B Mudavanhu (Dr) ***	1	1
C Chimutsa	4	4
*N Mureriwa	4	4

Key
* - Executive Director
** - Not Member
*** - New Director

CBZ INSURANCE BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

NAME	MAIN BOARD	TOTAL BOARDS
Meetings Held	*4*	*4*
S B Naik	4	4
A K T Matika	4	4
W R Chitiga***	2	2
P Zimunya	2	2
B Mudavanhu (Dr) ***	0	0
C Chimutsa	4	4
N Mureriwa*	4	4

Key
* - Executive Director
** - Not Member
*** - New Director

CBZ PROPERTIES BOARD ATTENDANCE REGISTER (JANUARY TO DECEMBER 2018)

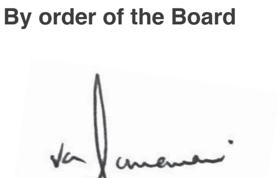
NAME	BOARD	SPECIAL BOARD	TOTAL BOARD
Meetings Held	*4*	*1*	*5*
I Tigere	4	1	5
C Makwiranzou	2	1	3
M Sinyoro	2	1	3
B Mudavanhu (Dr) ***	2	1	3
C Chimutsa	4	1	5
H Bvumburai*	4	1	5

Key
* - Executive Director
** - Not Member
*** - New Director

STATEMENT OF COMPLIANCE

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

By order of the Board



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Rumbidzayi A. Jakanani
GROUP LEGAL CORPORATE SECRETARY

25 April 2018

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED **31 DECEMBER 2018**

BANKING I INSURANCE I ASSET MANAGEMENT I PROPERTY INVESTMENT I MORTGAGE FINANCE

CHOOSE THE **RIGHT PARTNER** FOR GROWTH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Interest income	2	113 860 926	138 328 457
Interest expense	2	(44 181 869)	(76 574 792)
Net interest income		**69 679 057**	**61 753 665**
Net non-interest income	3	85 720 371	73 236 053
Total income		**155 399 428**	**134 989 718**
Operating expenditure	4	(83 491 700)	(76 906 492)
Operating income		**71 907 728**	**58 083 226**
Credit loss expense	12.1	1 404 141	(34 038 510)
Profit before taxation		**73 311 869**	**24 044 716**
Taxation	5	(10 283 618)	1 370 235
Profit for the year after taxation		**63 028 251**	**25 414 951**
Other comprehensive income			
Gains on property revaluations		2 810 712	1 371 602
Gains on equity instruments at FVOCI		(71 419)	
Components of other comprehensive income	5.3	(709 475)	(353 188)
Other comprehensive income for the year net of tax		**2 029 818**	**1 018 414**
Total comprehensive income for the year		**65 058 069**	**26 433 365**
Profit attributable to:			
Equity holders of parent		63 028 251	25 414 951
Total comprehensive income attributed to:			
Equity holders of parent		65 058 069	26 433 365
Earnings per share (cents):			
Basic	6.1	12.31	4.97
Diluted	6.1	12.31	4.97

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
ASSETS			
Balances with banks and cash	8	359 591 883	86 762 756
Money market assets	9	59 105 859	30 762 625
Financial securities	10	1 241 579 206	897 728 855
Loans and advances to customers	11	369 079 119	808 559 730
Other assets	13	77 838 897	89 179 311
Equity investments	14	4 387 565	956 682
Property and equipment	17	51 368 238	49 749 580
Investment properties	18	7 010 000	6 077 000
Intangible assets	19	1 337 595	2 109 529
Deferred tax asset	20	35 696 359	19 420 333
Current tax receivable		895 211	212 734
TOTAL ASSETS		**2 207 889 932**	**1 991 519 135**
LIABILITIES			
Deposits	21	1 988 692 716	1 791 380 900
Other liabilities	22	27 537 540	12 025 390
Total liabilities		**2 016 230 256**	**1 803 406 290**
EQUITY			
Share capital	24	5 118 180	5 118 180
Share premium	24.1	16 721 711	16 721 711
Revaluation reserve	24.2	14 484 354	12 397 399
Revenue reserve	24.3	152 400 726	153 875 555
Fair value reserve		2 934 705	-
Total equity and reserves		**191 659 676**	**188 112 845**
TOTAL LIABILITIES AND EQUITY		**2 207 889 932**	**1 991 519 135**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$	Share premium US$	Revaluation reserve US$	Fair value reserve US$	Revenue reserve US$	Total US$
Audited 31 Dec 2017						
Opening balance	5 118 180	16 721 711	11 378 985	-	133 410 604	166 629 480
Profit for the period	-	-	1 018 414	-	25 414 951	26 433 365
Dividend paid	-	-	-	-	(4 950 000)	(4 950 000)
Closing balance	**5 118 180**	**16 721 711**	**12 397 399**	**-**	**153 875 555**	**188 112 845**
Audited 31 Dec 2018						
Opening balance	5 118 180	16 721 711	12 397 399	-	153 875 555	188 112 845
Impact of adopting IFRS 9	-	-	-	2 991 841	(59 063 080)	(56 071 239)
Restated balance at 01 Jan 2018	**5 118 180**	**16 721 711**	**12 397 399**	**2 991 841**	**94 812 475**	**132 041 606**
Profit for the period	-	-	-	-	63 028 251	63 028 251
Other comprehensive income	-	-	2 086 955	(57 136)	-	2 029 819
Dividend paid	-	-	-	-	(5 440 000)	(5 440 000)
Closing balance	**5 118 180**	**16 721 711**	**14 484 354**	**2 934 705**	**152 400 726**	**191 659 676**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Profit before taxation	**73 311 869**	**24 044 716**
Non-cash items:		
Depreciation	6 844 110	6 222 348
Amortisation of intangible assets	1 122 859	982 909
Write off and impairments of fixed assets	307 343	240
Impairments on land inventory	2 223 269	370 000
Fair value adjustment on investment property	1 591 746	(530 000)
Credit loss expense	(1 404 141)	34 038 510
Loss/(Profit) on sale of property and equipment	(13 818)	25 581
Loss on sale of investment property	-	350 000
Unrealised loss/(gain) on foreign currency positions	1 033 226	1 270 047
Operating cash flow before changes in operating assets and liabilities	**85 016 463**	**66 774 351**
Changes in operating assets and liabilities		
Deposits	196 278 589	54 687 640
Loans and advances to customers	(9 294 885)	(39 314 474)
Money market assets	(28 345 722)	(9 781 637)
Financial securities	24 362 913	(66 477 056)
Other assets	9 117 147	18 541 215
Other liabilities	15 410 031	1 486 681
	207 528 073	**(40 857 631)**
Corporate tax paid	(8 216 403)	(2 815 210)
Net cash inflow from operating activities	**284 328 133**	**23 101 510**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment property	-	-
Net change in investments	237 500	-
Proceeds on disposal of investment property	-	1 500 000
Proceeds on disposal of property and equipment	460 639	319 411
Purchase of property and equipment	(6 710 331)	(4 264 112)
Purchase of intangible assets	(46 814)	(255 190)
Net cash outflow from investing activities	**(6 059 006)**	**(2 699 891)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(5 440 000)	(4 950 000)
NET INCREASE IN BALANCES WITH BANKS AND CASH	**272 829 127**	**15 451 619**
Balances with banks and cash at the beginning of the year	86 762 756	71 311 137
BALANCES WITH BANKS AND CASH AT THE END OF THE YEAR	**359 591 883**	**86 762 756**

NOTES TO THE FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INCORPORATION ACTIVITIES

The Bank is incorporated in Zimbabwe and registered in terms of the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20). It offers retail banking, mortgage finance, commercial banking, investment banking, small to medium enterprise financing, treasury management, wealth management, agribusiness, lease financing and custodial services.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
2. NET INTEREST INCOME		
Interest income		
Overdrafts	19 380 749	49 443 297
Loans	23 692 094	33 788 085
Home loans	18 720	455 148
Staff loans	2 866 772	3 084 465
Securities investments	66 376 436	48 639 996
Intercompany balances	1 526 155	2 917 466
	113 860 926	**138 328 457**
Interest expense		
Call deposits	665 783	738 600
Savings deposits	19 240 685	32 632 359
Money market deposits	20 883 025	35 618 330
Other Offshore deposits	3 392 376	7 585 503
	44 181 869	**76 574 792**
Net interest income	**69 679 057**	**61 753 665**
3. NET NON-INTEREST INCOME		
Fair value adjustment on investment property	(1 591 746)	530 000
Net income from foreign currency dealings	3 929 623	4 528 336
Unrealised loss on foreign currency positions	(1 033 226)	(1 270 048)
Commission and fee income	70 238 851	63 636 367
(Loss)/Profit on sale of property and equipment	13 818	(25 581)
Loss on sale of investment property	-	(350 000)
Bad debts recovered	4 266 025	643 558
Property sales	7 753 452	4 655 852
Rental income	731 350	887 569
Other operating income	1 412 224	-
	85 720 371	**73 236 053**
4. OPERATING EXPENDITURE		
Staff costs	38 139 471	37 335 250
Other administration expenses	28 475 975	29 158 627
Audit fees	260 820	237 585
Depreciation	6 844 110	6 222 348
Amortisation of intangible assets	1 122 859	982 909
Property cost of sales	6 117 853	2 599 533
Impairment of land inventory	2 223 269	370 000
Write off and impairments of fixed assets	307 343	240
	83 491 700	**76 906 492**

Included in staff costs are pension contributions under the National Social Security Authority, a defined contribution fund and the Bank's separate trustee administered fund of US$3 835 036 (2017:US$3 980 664).

Remuneration of directors / key management personnel		
Fees for services as directors	143 217	205 013
Pension for past and present directors	256 440	276 904
Salaries and other benefits	2 501 565	2 773 784
	2 901 222	**3 255 701**
Operating leases		
The following is an analysis of expenses related to operating leases		
Non cancellable leases are paid as follows:		
Less than 1 year	1 696 001	1 500 701
Between 1 and 5 years	532 896	760 889
	2 228 897	**2 261 590**

The Bank leases a number of properties that houses its branches and other equipment under operating leases. The leases typically run for a year of less than five years with an option to renew the lease after that expiry date. During the year ended 31 December 2018, an amount of US$2 287 768 (December 2017:US$2 361 110) was recognised as rent expense in the statement of comprehensive income.

5. TAXATION

The following constitutes the major components of income tax expense recognised in the Statement of Profit or Loss.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
5.1 Analysis of tax charge in respect of the profit for the year		
Current tax expense	7 533 926	6 270 949
Deferred tax expense / (income)	2 749 692	(7 641 184)
Tax expense	**10 283 618**	**(1 370 235)**
5.2 Tax rate reconciliation		
	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Non deductible expenses	11.56	24.34
Exempt income	(23.08)	(55.21)
Tax benefits	(0.20)	(0.58)
Effective rate	**14.03**	**(5.70)**

5.3 The following constitutes the components of deferred tax expense recognised in the Statement of Other Comprehensive Income.

Revaluation of property and equipment	723 758	353 188
Unlisted equities	(14 283)	-
	709 475	**353 188**

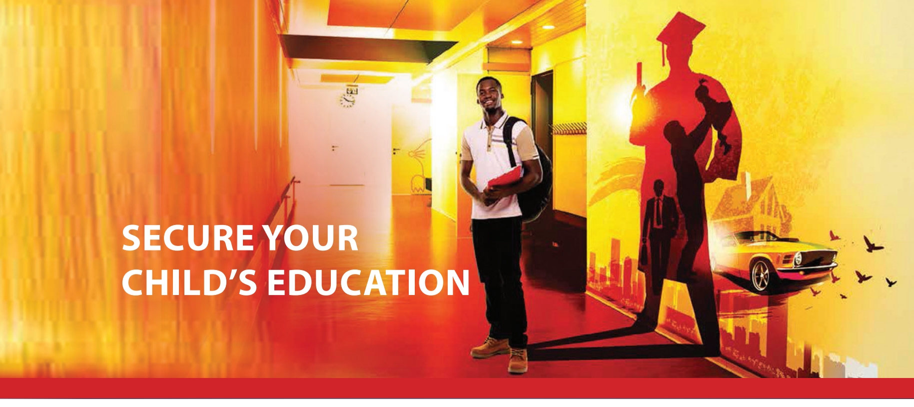
6. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit after tax attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into the ordinary shares.

The following notes, 6.1, 6.2 and 6.3, reflect the respective earnings and share data used in the basic and diluted earnings per share computations:

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
6.1 Annualised earnings per share (US cents)		
Basic earnings	12.31	4.97
Diluted earnings	12.31	4.97
6.2 EARNINGS		
Basic (earnings attributable to holders of parent)	63 028 251	25 414 951
Fully Diluted	63 028 251	25 414 951
Number of shares used in calculations (weighted)		
Basic	511 817 951	511 817 951
Fully Diluted	511 817 951	511 817 951
6.3 Reconciliation of denominators used for calculating basic and diluted earnings per share:		
Weighted average number of shares before adjustment or treasury shares	511 817 951	511 817 951
Less treasury shares held		-
Weighted average number of shares used for basic EPS	**511 817 951**	**511 817 951**
Potentially dilutive shares (ESOS)		-
Weighted average number of shares for diluted EPS	**511 817 951**	**511 817 951**
7. DIVIDENDS		
Dividend paid	5 440 000	4 950 000



		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
8.	**BALANCES WITH BANKS AND CASH**		
	Cash	15 105 813	8 985 300
	Nostro accounts	38 067 650	3 990 623
	Balance with the Reserve Bank of Zimbabwe	306 418 420	73 782 873
	Interbank clearing accounts	-	3 960
		359 591 883	**86 762 756**

Prioritisation on allocation of bank balances held in foreign banks (Nostro accounts)

Balances with Reserve Bank of Zimbabwe and Foreign Banks are used to facilitate customer transactions which include payments and cash withdrawals. In 2016, the Reserve Bank of Zimbabwe, through Exchange Control Operational Guide 8 (ECOGAD8), introduced prioritisation criteria which are to be followed when making foreign payments for customers. After prioritisation, foreign payments are then made subject to availability of bank balances with our foreign correspondent banks, resulting in possible delay of payment of telegraphic transfers. However, no delay is expected in the settlement of local transactions through the RTGS system.

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
9.	**MONEY MARKET ASSETS**		
	AMA Bills	43 200 000	23 450 000
	Treasury placements	15 000 000	6 600 000
	Accrued interest	908 347	712 625
	Total gross money market	**59 108 347**	**30 762 625**
	Expected credit loss	(2 488)	
	Total net money market assets	**59 105 859**	**30 762 625**
	Maturity analysis		
	Between 0 and 3 months	15 014 680	6 604 250
	Between 3 and 6 months	-	-
	Between 6 and 12 months	44 093 667	24 158 375
		59 108 347	**30 762 625**
10.	**FINANCIAL SECURITIES**		
	Treasury bills	1 214 923 492	880 772 649
	Accrued interest	26 710 070	16 956 206
	Total gross financial securities	**1 241 633 562**	**897 728 855**
	Expected credit loss	(54 356)	-
	Total net financial securities	**1 241 579 206**	**897 728 855**
	Maturity analysis		
	Between 0 and 3 months	62 751 912	26 649 412
	Between 3 and 6 months	42 461 638	5 678 424
	Between 6 and 12 months	27 704 364	38 007 224
	Between 1 and 5 years	201 032 120	230 592 729
	Above 5 years	907 683 528	596 801 066
		1 241 633 562	**897 728 855**
11.	**LOANS AND ADVANCES TO CUSTOMERS**		
	Overdrafts	302 848 825	458 584 322
	Loans	109 939 373	350 651 996
	Staff loans	44 639 553	47 755 317
	Mortgage advances	188 533	141 376
	Interest accrued	4 149 368	23 616 040
	Total gross loans and advances to customers	**461 765 652**	**880 749 051**
	Allowance for Expected Credit Loss (ECL)	(92 686 533)	(72 189 321)
	Total net loans and advances to customers	**369 079 119**	**808 559 730**
11.1	**Maturity analysis**		
	Less than 1 month	234 940 069	366 070 817
	Between 1 and 3 months	36 423 228	93 137 768
	Between 3 and 6 months	29 212 225	35 699 409
	Between 6 months and 1 year	53 044 235	49 279 688
	Between 1 and 5 years	61 231 111	72 570 657
	More than 5 years	46 914 784	263 990 712
		461 765 652	**880 749 051**

		AUDITED 31 DEC 2018 US$	%	AUDITED 31 DEC 2017 US$	%
11.2	**Sectoral Analysis**				
	Private	84 798 834	18	103 321 594	12
	Agriculture	133 646 621	29	230 566 770	26
	Mining	14 418 537	3	9 217 974	1
	Manufacturing	46 181 138	10	65 240 206	7
	Distribution	84 111 485	18	80 786 353	9
	Construction	7 367 320	2	6 658 002	1
	Transport	7 260 695	2	8 300 139	1
	Communication	1 539 099	0	127 477	0
	Services	58 431 761	13	134 074 449	15
	Financial organisations	24 010 162	5	242 456 087	28
		461 765 652	**100**	**880 749 051**	**100**

Maturity analysis is based on the remaining year from 31 December 2018 to contractual maturity.

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
11.3	**Loans to directors and key management personnel and employees**		
	Loans to directors and key management personnel		
	Included in advances are loans to directors and key management:		
	Opening balance	8 256 591	8 165 185
	Advances made during the year	574 778	702 314
	Repayments during the year	(397 480)	(610 908)
	Closing balance	**8 433 889**	**8 256 591**
	Loans to employees		
	Included in advances are loans to employees:		
	Opening balance	39 498 723	42 786 866
	Advances made during the year	1 544 097	890 640
	Repayments during the year	(4 837 155)	(4 178 783)
	Closing balance	**36 205 665**	**39 498 723**
11.4	**Allowance for Expected Credit Loss (ECL)**		
	Opening balance	72 189 321	55 631 005
	IFRS 9 opening adjustment	79 193 217	-
	Adjusted opening balance	**151 382 538**	**55 631 005**
	Credit loss expense on loans and advances	(989 356)	34 038 510
	Interest in suspense	5 383 887	11 118 699
	Amounts written off during the year	(63 090 536)	(28 598 893)
	Closing balance	**92 686 533**	**72 189 321**

12. IMPAIRMENT ON FINANCIAL INSTRUMENTS

12.1 Expected credit loss expense (ECL)

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss :

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchase or Originated Credit Impaired US$	Total US$
Money market assets	125 204	–	–	–	125 204
Financial securities	(11 663)	–	–	–	(11 663)
Loans and advances to customers	10 764 429	34 611 902	(44 386 975)	–	989 356
Letters oc credit for customers	(1 090)	–	–	–	(1 090)
Financial guarantees	80 513	–	–	–	80 513
Other commitments	221 821	–	–	–	221 821
Expected credit loss expense	**11 179 214**	34 611 902	(44 386 975)	**–**	**1 404 141**

12.2 Impairment allowance for Loans and receivables and held to maturity securities per IAS 39/financial assets at amortised cost under IFRS 9

	Loans loss provision under IAS 39/IAS 37 at 31 Dec 2017 USD	Re-Measurement USD	Loans loss provision ECLs under IFRS 9 at 01 Jan 2018 USD
Money market assets	-	127 692	127 692
Financial securities	-	42 693	42 693
Loans and advances to customers	72 189 321	79 193 217	151 382 538
Financial guarantees	-	182 635	182 635
	72 189 321	**79 546 237**	**151 735 558**

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
13.	**OTHER ASSETS**		
	Land inventory	45 593 979	52 780 729
	Prepayments	1 682 884	1 340 154
	Receivables	30 562 034	35 058 428
		77 838 897	**89 179 311**
14 .	**EQUITY INVESTMENTS**		
	Investments in equity instruments	956 682	956 682
	Impact of IFRS 9 fair value adjustment	3 739 802	-
	Investments in equities during the year	42 500	-
	Investment disposed during the year	(280 000)	-
	Fair value adjustment other comprehensive income	(71 419)	-
	Total	**4 387 565**	**956 682**

15. CATEGORIES OF FINANCIAL ASSETS

	At fair value through profit or loss US$	At fair value through FVOCI US$	At amortised cost US$	Total carrying amount US$
31 December 2018				
Balances with banks and cash	-	-	359 591 883	359 591 883
Money market assets	-	-	59 105 859	59 105 859
Financial securities	-	-	1 241 579 206	1 241 579 206
Loans and advances to customers	-	-	369 079 119	369 079 119
Equity investments	-	4 387 565	-	4 387 565
Other monetary assets	-	-	31 432 851	31 432 851
Total	**-**	**4 387 565**	**2 060 788 918**	**2 065 176 483**

	At fair value through profit or loss US$	Available for sale US$	Loans and receivables US$	Total carrying amount US$
31 December 2017				
Balances with banks and cash	-	-	86 762 756	86 762 756
Money market assets	-	-	30 762 625	30 762 625
FInancial securities	-	-	897 728 855	897 728 855
Loans and advances to customers	-	-	808 559 730	808 559 730
Equity investments	-	956 682	-	956 682
Other monetary assets	-	-	34 423 142	34 423 142
Total	**-**	**956 682**	**1 858 237 108**	**1 859 193 790**

15.1. Reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	IAS 39 measurement			Remeasurement		IFRS 9	
	Category	Amount	Re-Classification	ECL	Other	Amount	Category
Financial assets							
Balances with banks and cash	Loans & Receivables	86 762 756	-	-	-	86 762 756	AC
Money market assets	Loans & Receivables	30 762 625	-	(127 692)	-	30 634 933	AC
Financial securities	Loans & Receivables	897 728 855	-	(42 693)	-	897 686 162	AC
Loans and advances to customers	Loans & Receivables	808 559 730	-	(79 193 217)	-	729 366 513	AC
Unquoted equity investments	Available for sale	956 682	-	-	3 739 802	4 696 484	FVOCI
Other assets	Loans & Receivables	34 423 142	-	-	-	34 423 142	AC
Total assets		**1 859 193 790**		**(79 363 602)**	**3 739 802**	**1 783 569 990**	

Key

AC - Amortised cost
FVPL - Fair Value through Profit or Loss
FVOCI - Fair Value through Other Comprehensive Income

16. FAIR VALUE MEASUREMENT

16.1 The following table presents items of the Statement of Financial Position of the Bank which are recognised at fair value:

	Level 1		Level 2		Level 3		Total carrying amount	
	31 Dec 18 US$	31 Dec 17 US$	31 Dec 18 US$	31 Dec 17 US$	31 Dec 18 US$	31 Dec 17 US$	31 Dec 18 US$	31 Dec 17 US$
Equity investments	-	-	-	-	4 387 565	-	4 387 565	-
Land and Buildings	-	-	31 084 000	26 807 500	-	-	31 084 000	26 807 500
Investment properties	-	-	7 010 000	6 077 000	-	-	7 010 000	6 077 000
Total assets at fair value	**-**	**-**	**38 094 000**	**32 884 500**	**4 387 565**	**-**	**42 481 565**	**32 884 500**

17. PROPERTY AND EQUIPMENT

Audited 31 December 2018	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computers US$	Equipment US$	Furniture & fittings US$	Work in progress US$	Total US$
COST									
Opening balance	3 770 000	26 807 500	607 864	5 360 443	19 134 947	9 135 350	5 648 798	2 241 372	72 706 274
Additions	–	13 134	109 597	–	3 681 918	653 925	176 623	2 075 134	6 710 331
Revaluation(loss)/gain	(20 000)	836 386	–	–	–	–	–	–	816 386
Impairments	–	(4 468)	–	–	–	–	–	–	(4 468)
Disposals	–	(380 000)	–	(175 912)	(156 149)	(45 833)	(42 556)	–	(800 450)
Transfers (to)\ from intangible assets	–	–	–	–	–	–	–	(304 111)	(304 111)
Write offs	–	–	–	–	(15 658)	(2 000)	(1 520)	(300 290)	(319 468)
Transfers(PPE Intercategories)	–	61 448	29 328	–	432 770	4 400	3 912	(531 858)	–
Closing balance	**3 750 000**	**27 334 000**	**746 789**	**5 184 531**	**23 077 828**	**9 745 842**	**5 785 257**	**3 180 247**	**78 804 494**
Accumulated depreciation									
Opening balance	–	–	406 109	3 786 385	9 619 372	6 491 523	2 653 305	–	22 956 694
Charge for the year	–	2 005 513	64 506	660 365	2 702 796	862 482	548 448	–	6 844 110
Disposals	–	(10 556)	–	(145 619)	(137 944)	(34 141)	(25 369)	–	(353 629)
Write offs	–	–	–	–	(14 092)	(1 800)	(70)	–	(15 962)
Revaluation	–	(1 994 326)	–	–	–	–	–	–	(1 994 326)
Impairments	–	(631)	–	–	–	–	–	–	(631)
Closing balance	**–**	**–**	**470 615**	**4 301 131**	**12 170 132**	**7 318 064**	**3 176 314**	**–**	**27 436 256**
Net Book Value	**3 750 000**	**27 334 000**	**276 174**	**883 400**	**10 907 696**	**2 427 778**	**2 608 943**	**3 180 247**	**51 368 238**

Audited 31 December 2017	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computers US$	Equipment US$	Furniture & fittings US$	Work in progress US$	Total US$
COST									
Opening balance	3 770 000	27 029 500	602 917	5 193 433	15 254 731	8 576 265	5 543 621	4 065 882	70 036 349
Additions	–	24 178	4 947	77 660	2 510 223	412 719	140 571	1 093 814	4 264 112
Revaluation surplus	–	(361 821)	–	–	–	–	–	–	(361 821)
Impairments	–	(1 171)	–	–	–	–	–	–	(1 171)
Disposals	–	–	–	–	(66 903)	(107 237)	(41 505)	(159 469)	(375 114)
Transfers (to)\ from intangible assets	–	–	–	–	–	–	–	(713 376)	(713 376)
Write off	–	–	–	–	–	–	–	(142 705)	(142 705)
Transfers(PPE Intercategories)	–	116 814	–	89 350	1 436 896	253 603	6 111	(1 902 774)	–
Closing balance	**3 770 000**	**26 807 500**	**607 864**	**5 360 443**	**19 134 947**	**9 135 350**	**5 648 798**	**2 241 372**	**72 706 274**
Accumulated depreciation & impairment									
Opening balance	–	–	347 495	3 068 721	7 359 738	5 693 938	2 171 635	–	18 641 527
Charge for the year	–	1 734 354	58 614	717 664	2 314 765	894 097	502 854	–	6 222 348
Disposals	–	–	–	–	(55 131)	(96 512)	(21 184)	–	(172 827)
Revaluation	–	(1 733 423)	–	–	–	–	–	–	(1 733 423)
Impairments	–	(931)	–	–	–	–	–	–	(931)
Closing balance	**–**	**–**	**406 109**	**3 786 385**	**9 619 372**	**6 491 523**	**2 653 305**	**–**	**22 956 694**
Net Book Value	**3 770 000**	**26 807 500**	**201 755**	**1 574 058**	**9 515 575**	**2 643 827**	**2 995 493**	**2 241 372**	**49 749 580**

Properties were revalued on an open market basis by an internal professional valuer, as at 31 December 2018 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. For 2017 and prior years, the properties were valued by registered independent appraiser using the same methodology noted above. The revaluation of land and buildings entailed the following:

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

- Comparable market evidence which comprised complete transactions as well as transactions where offers had been made but the transactions had not been finalised;
- Professional judgement was exercised to take cognisance of the fact that properties in the transaction were not exactly comparable in terms of size, quality and location to the properties owned by the Bank;
- The reasonableness of the market values of commercial properties so determined, per the above bullet, was assessed by reference to the properties in the transaction; and
- The values per square metre of lettable space for both the subject properties and comparables were analysed.

With regards to market values for residential properties, the comparison method was used. This method entails carrying out a valuation by directly comparing the subject property, which has been sold or rented out. The procedure was performed as follows:

- Surveys and data collection on similar past transactions;
- Analysis of the collected data; and
- Comparison of the analysis with the subject properties and then carrying out the valuation of the subject properties.

Adjustments were made to the following aspects:

- Age of property - state of repair and maintenance
- Aesthetic quality - quality of fixtures and fittings
- Structural condition - location
- Accommodation offered - size of land The maximum useful lives of property and equipment are as follows:

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

The carrying amount of buildings would have been US$19 256 465 (December 2017: US$20 804 666) had they been carried at cost.

Property was tested for impairment through comparisons with open market values determined by an independent valuer.

18 . INVESTMENT PROPERTIES

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Opening balance	6 077 000	7 397 000
Fair value adjustment	(1 591 746)	-
Additions	2 524 746	530 000
Disposal	-	(1 850 000)
Closing balance	**7 010 000**	**6 077 000**

The carrying amount of the investment properties is the fair value of the properties as determined by a registered internal appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties and also in reference to the rental yeilds applicable to similar property. The properties were valued as at 31 December 2018. For 2017 and prior years, the properties were valued by registered independent appraiser using the same methodology noted above.

If the fair value adjustment had been 5% up or down, the Bank's profit would have been $59 094 higher or lower and the Statement of Financial Position would have been $79 584 higher or lower than the reported position.

The rental income derived from investments properties amounted to US$255 513 with direct operating expenses amounting to US$10 551 .

19 . INTANGIBLE ASSETS

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
At cost	5 767 995	5 417 069
Accumulated amortisation and impairment	(4 430 400)	(3 307 540)
	1 337 595	**2 109 529**
Movements intangible assets		
Opening balance	2 109 529	2 123 872
Additions	46 814	255 190
Transfers from property and equipment	304 111	713 376
Amortisation charge	(1 122 859)	(982 909)
Closing balance	**1 337 595**	**2 109 529**

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

20. DEFERRED TAX ASSET

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

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
The deferred tax included in the statement of financial position are comprised of:		
Credit loss provisions	22 480 431	18 588 750
Intangible assets	29 212	(22 053)
Prepayments	-	(867 714)
Equity investments	(733 677)	-
Property and equipment	(5 809 005)	(5 518 121)
Tax claimable impairments	18 354 895	5 396 450
Investment properties	34 647	(366 105)
Other	1 339 856	2 209 126
Closing balance	**35 696 359**	**19 420 333**

21. DEPOSITS

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Call deposits	55 892 243	18 095 584
Savings and other deposits	1 437 804 807	1 247 842 956
Money market deposits	465 530 510	455 220 331
Lines of credit	26 094 771	65 551 023
Accrued interest	3 370 385	4 671 006
	1 988 692 716	**1 791 380 900**
Deposits by type		
Retail	267 800 369	190 258 096
Corporate	1 226 923 144	1 076 861 253
Money market	467 525 216	457 613 157
Lines of credit	26 443 987	66 648 394
	1 988 692 716	**1 791 380 900**

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

	AUDITED 31 DEC 2018 US$	%	AUDITED 31 DEC 2017 US$	%
Sectoral analysis				
Private	102 471 411	5	92 802 832	5
Agriculture	72 985 918	4	65 554 371	4
Mining	22 039 311	1	19 795 231	1
Manufacturing	179 865 199	9	162 736 388	9
Distribution	382 914 160	19	361 230 921	20
Construction	51 631 116	3	46 373 949	3
Transport	35 300 460	2	31 706 109	2
Communication	74 565 559	4	41 318 322	2
Services	721 263 125	36	654 986 678	37
Financial organisations	252 097 581	13	294 003 987	16
Investment organisations	93 558 876	4	20 872 112	1
	1 988 692 716	**100**	**1 791 380 900**	**100**

	AUDITED 31 DEC 2018 US$	AUDITED 30 DEC 2017 US$
Maturity analysis		
Less than one month	1 611 162 233	1 400 476 166
Between 1 and 3 months	278 612 984	209 895 433
Between 3 and 6 months	29 999 585	104 566 539
Between 6 months and 1 year	22 457 366	22 525 702
Between 1 and 5 years	28 028 004	39 436 132
More than 5 years	18 432 544	14 480 928
	1 988 692 716	**1 791 380 900**

Maturity analysis is based on the remaining year from 31 December 2018 to contractual maturity.

22. OTHER LIABILITIES

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Revenue received in advance	2 258 359	1 923 814
Sundry creditors	21 342 238	6 093 465
Accruals	1 575 080	-
Other suspense accounts	2 258 653	4 008 111
Guarantees expected credit loss	103 210	-
Total other liabilities	**27 537 540**	**12 025 390**

23. CATEGORIES OF FINANCIAL LIABILITIES

The Bank's financial liabilities are carried at amortised cost	2 016 230 256	1 803 406 290

24. SHARE CAPITAL

Authorised		
600 000 000 ordinary shares of $0.01 each	6 000 000	6 000 000
Issued and fully paid		
511 817 951 ordinary shares of $0.01 each	5 118 180	5 118 180

24.1	**Share premium**		
	Opening balance	16 721 711	16 721 711
	Closing balance	**16 721 711**	**16 721 711**

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
24.2	**Revaluation reserve**		
	Opening balance	12 397 399	11 378 985
	Net revaluation gain	2 086 955	1 018 414
	Closing balance	**14 484 354**	**12 397 399**
24.3	**Revenue reserve**		
	Opening balance	153 875 555	133 410 604
	Impact of adopting IFRS 9	(59 063 080)	-
	Restated balance at 1 January 2018	**94 812 475**	**133 410 604**
	Profit for the year	63 028 251	25 414 951
	Dividend paid	(5 440 000)	(4 950 000)
	Closing balance	**152 400 726**	**153 875 555**
24.3.1	**Revenue reserve**		
	The impact of transition to IFRS 9 on retained earnings is as follows:		
	Recognition of expected credit losses under IFRS 9 for financial assets	(79 546 237)	-
	Deferred tax in relation to the above	20 483 157	-
	Total change in equity due to adopting IFRS 9 (01 January 2018)	**(59 063 080)**	**-**
24.4	**Fair value reserve**		
	Opening balance	-	-
	Impact of adopting IFRS 9	2 991 841	-
	Other comprehensive income	(57 136)	-
	Closing balance	**2 934 705**	**-**
24.4.1	The impact of transition to IFRS 9 on reserves is as follows:		
	Recognition of fair value gain for unquoted equities on adopting IFRS 9	3 739 801	-
	Deferred tax in relation to the above	(747 960)	-
	Total change in equity due to adopting IFRS 9 (01 Janaury 2018)	**2 991 841**	**-**

25. RELATED PARTY DISCLOSURES

CBZ Holdings Limited owns 100% of CBZ Bank(Private) Limited . CBZ Properties (Private) Limited, CBZ Building Society, CBZ Asset Management (Private) Limited, CBZ Insurance (Private) Limited , CBZ Life (Private) Limited and CBZ Risk Advisory Services (Private) Limited are related to CBZ Bank Limited through common shareholding. The Bank has related party relationships with its Directors and key management employees, their companies and close family members.

The volumes of related party transactions and related income and expenses are as follows:

(a) Loans and advances to Directors' companies

	Gross limits US$	Utilised limits US$	Value security US$
Audited 31 December 2018			
Loans to entities related to directors	1 775 284	1 752 723	1 659 000
Audited 31 December 2017			
Loans to entities related to directors	1 290 000	1 258 060	1 828 900

The loans to directors' companies above include companies directly owned or significantly influenced by executive and non-executive directors and/or their close family members.

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
(i)	**Transactions with Directors' companies:**		
	Interest income earned on loans and advances to directors and other related parties	277 152	231 517
	Commission and fee income	2 715	3 301
		279 867	234 818
(b)	**Deposits from directors and key management personnel:**		
	Closing balance	40 531	38 864
	Interest expense on deposits from directors and key management personnel	251	27
(c)	**Balances with group companies:**		
	Amounts due from group companies	27 777 729	32 743 108
	Deposits held for group companies	20 778 095	17 116 883
(i)	**Transactions with group companies:**		
	Interest income on amounts due from group companies	987 791	3 228 278
	Interest expense on amounts due to group companies	834 428	703 520
	Non interest income from group companies	606 059	381 535
	Costs charged by group companies	6 512 249	7 013 814

The loans to directors' companies above include companies directly owned or significantly influenced by executive and non executive directors and/or their close family members. The loans above are provided at commercial terms with interest rates ranging from 10% to 12% and a tenure ranging from 1 month to1 year 5 months. The loans to directors and key management personnel are shown in note 11.3.

Terms and conditions on Intercompany balances and deposits from Directors are applied on commercial basis.

26. RISK MANAGEMENT

26.1 Risk overview

CBZ Bank Limited has continued to be guided by a desire to uphold a "High Risk Management and Compliance Culture" as one of its major strategic thrusts which is embedded under clearly defined risk appetite in terms of the various key risk exposures. This approach has given direction to the Bank's overall strategic planning and policies. Through the CBZ Bank risk management function, the Bank regularly carries out risk analysis through value at risk (VAR) assessment, stress testing as well as simulations to ensure that there is congruency or proper alignment between its strategic focus and its desired risk appetite.

26.2 Bank risk management framework

The Bank's risk management framework looks at enterprise wide risks and recognises that for effective risk management to take effect, it has to be structured in terms of acceptable appetite, defined responsibility, accountability and independent validation of set processes. Bank Management and staff are responsible for the management of the risks that fall within their organisational responsibilities. The CBZ Bank Risk Management function is responsible for ensuring that the Bank's risk taking remains within the set risk benchmarks. The CBZ Bank Internal Audit function continuously provides independent assurance on the adequacy and effectiveness of the deployed risk management processes. The CBZ Bank Enterprise Wide Governance and Compliance Unit evaluates the quality of compliance with policies, processes and governance structures.

26.3 Credit risk

26.3.1 Credit risk exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Balances with banks	344 486 070	77 777 456
Money market assets	59 105 859	30 762 625
Financial securities	1 241 579 206	897 728 855
Loans and advances to customers	369 079 119	808 559 730
Other assets	31 432 849	34 423 142
Total	**2 045 683 013**	**1 849 251 808**
Guarantees	10 389 927	8 246 115
Capital commitments	2 476 768	1 206 141
Total	**12 866 695**	**9 452 256**

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

The Bank held cash and cash equivalents of US$344 486 070 (excluding notes and coins) as at 31 December 2018 (31 Dec 2017:US$77 777 456), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank and foreign banks.

26.3.2 An industry sector analysis of the Bank's advances before and after taking into account collateral held is as follows:

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$	AUDITED 31 DEC 2017 US$
	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)
Private	84 798 835	44 769 826	103 321 594	9 241 672
Agriculture	133 646 622	19 064 191	230 566 770	42 993 530
Mining	14 418 538	576 821	9 217 974	1 300 845
Manufacturing	46 181 138	9 574 124	65 240 206	21 591 547
Distribution	84 111 486	11 967 875	80 786 353	26 989 930
Construction	7 367 320	730 158	6 658 002	1 646 652
Transport	7 260 696	985 514	8 300 139	2 222 530
Communication	1 539 100	-	127 477	-
Services	58 431 762	2 994 125	134 074 449	6 752 345
Financial organisations	24 010 156	-	242 456 087	-
Total	**461 765 653**	**90 662 634**	**880 749 051**	**112 739 051**

Collateral analysis	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Cash cover	7 394 227	2 430 371
Mortgage bonds	411 666 244	768 010 000
Other forms of security including Notarial General Covering Bonds (NGCBs), cessions, etc.	185 471 716	760 471 798
	604 532 187	**1 530 912 169**

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

27. Credit quality per class of financial assets

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment "allowances. Details of the Bank's internal grading system are explained in Note 36.3.1 of the Group's results.

a. Loans and advances to customers
(i) Impairment allowance for loans and advances to customers

		Audited 31 Dec 2018					Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	239 231 025	18 364 518		-	257 595 543	449 056 560
Special mention	"4a - 7c"	8 472 492	112 952 007		-	121 424 499	244 479 122
Non performing	"8 - 10"	-	-	82 745 610	-	82 745 610	187 213 369
Total		**247 703 517**	**131 316 525**	**82 745 610**	**-**	**461 765 652**	**880 749 051**

(ii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances is as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	449 056 560	244 479 122	187 213 369	880 749 051
New assets originated or purchased	109 547 175	16 702 408	1 165 795	127 415 378
Transfers from Stage 1	(53 335 933)	49 115 520	4 220 413	-
Transfers from Stage 2	15 598 657	(208 032 114)	192 433 457	-
Transfers from Stage 3	28 140 805	99 251 180	(127 391 985)	-
Repayments during the year	(301 303 747)	(70 199 591)	(121 372 521)	(492 875 859)
Amounts written off	-	-	(53 522 918)	(53 522 918)
Gross loans and advances to customers at 31 December 2018	**247 703 517**	**131 316 525**	**82 745 610**	**461 765 652**
ECL allowance at 31 December 2018	(10 870 467)	(28 529 517)	(53 286 549)	(92 686 533)
Net loans and advances to customers at 31 December 2018	**236 833 050**	**102 787 008**	**29 459 061**	**369 079 119**

b. Financial Securities
(i). Impairment allowance for financial securities

	Audited 31 Dec 2018						Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	1 241 633 562	-	-	-	1 241 633 562	897 728 855
Total		**1 241 633 562**	**-**	**-**	**-**	**1 241 633 562**	**897 728 855**

(ii). An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to financial securities is as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	897 728 855	-	-	897 728 855
New assets originated or purchased	434 213 758	-	-	434 213 758
Maturities during the year	(90 309 051)	-	-	(90 309 051)
At 31 December 2018	**1 241 633 562**	**-**	**-**	**1 241 633 562**
ECL allowance at 31 December 2018	(54 356)	-	-	(54 356)
At 31 December 2018	**1 241 579 206**	**-**	**-**	**1 241 579 206**

c. Money market
(i). Impairment allowance for money market assets

	Audited31 Dec 2018						Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	59 108 347	-	-	-	59 108 347	30 762 625
Total		**59 108 347**	**-**	**-**	**-**	**59 108 347**	**30 762 625**

(ii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to money market assets as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	30 762 625	-	-	30 762 625
New assets originated or purchased	59 108 347	-	-	59 108 347
Maturities during the year	(30 762 625)	-	-	(30 762 625)
At 31 December 2018	**59 108 347**	**-**	**-**	**59 108 347**
ECL allowance at 31 December 2018	(2 488)	-	-	(2 488)
At 31 December 2018	**59 105 859**	**-**	**-**	**59 105 859**

d. Financial guarantees
(i) Impairment allowance for financial guarantees

	Audited 31 Dec 2018						Audited 31 Dec 2017
	SRS Rating	Stage 1 US$	Stage 2 US$	Stage 3 US$	Purchased or Originated Credit Impaired (POCI) US$	Total US$	Total US$
Internal rating grade							
Performing	"1 - 3c"	10 389 927				10 389 927	5 862 370
Special mention	"4a - 7c"	-				-	2 383 744
Total		**10 389 927**				**10 389 927**	**8 246 114**

(ii) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to financial guarantees is as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	8 428 749	-	-	8 428 749
New assets originated or purchased (excluding write offs)	10 089 330	-	-	10 089 330
Guarantees expired during the year	(8 128 152)	-	-	(8 128 152)
At 31 December 2018	**10 389 927**	**-**	**-**	**10 389 927**
ECL allowance at 31 December 2018	(102 121)	-	-	(102 121)
At 31 December 2018	**10 287 806**	**-**	**-**	**10 287 806**

28. Liquidity risk

Liquidity relates to the Bank's ability to fund its growth in assets and to meet obligations as they fall due without incurring unacceptable losses. The Bank recognises two types of liquidity risks i.e. Market liquidity risk and Funding liquidity risk. Market liquidity risk is the risk that the Bank cannot cover or settle a position without significantly affecting the market price because of limited market depth.

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

The primary source of funding under the Bank are customer deposits made up of current, savings and term deposits and these are diversified by customer type and maturity profile. The Bank tries to ensure through the Assets and Liabilities Committee (ALCO) processes and balance sheet management processes that asset growth and maturity are funded by appropriate growth in deposits and stable funding respectively.

28.1 Contractual Liquidity Gap Analysis

AUDITED 31 DECEMBER 2018	Less than one month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Total US$
Assets							
Balances with banks and cash	359 591 883	-	-	-	-	-	359 591 883
Money market assets	15 012 192	-	-	44 093 667	-	-	59 105 859
Financial securities	-	62 697 556	42 461 638	27 704 364	201 032 120	907 683 528	1 241 579 206
Loans and advances to customers	186 725 976	29 281 927	23 484 745	42 644 144	49 225 865	37 716 462	369 079 119
Financial guarantees	39 160	7 136 176	830 976	2 383 615	-	-	10 389 927
Current tax receivable	-	895 211	-	-	-	-	895 211
Other assets	-	31 432 849	-	-	-	-	31 432 849
Total assets	**561 369 211**	**131 443 719**	**66 777 359**	**116 825 790**	**250 257 985**	**945 399 990**	**2 072 074 054**
Liabilities							
Deposits	1 611 162 232	278 612 984	29 999 585	22 457 366	28 028 004	18 432 545	1 988 692 716
Other liabilities	-	27 537 540	-	-	-	-	27 537 540
Financial guarantees	39 160	7 136 176	830 976	2 383 615	-	-	10 389 927
Capital commitments contracted for	-	2 476 768	-	-	-	-	2 476 768
Total liabilities	**1 611 201 392**	**315 763 468**	**30 830 561**	**24 840 981**	**28 028 004**	**18 432 545**	**2 029 096 951**
Liquidity gap	**(1 049 832 181)**	**(184 319 749)**	**35 946 798**	**91 984 809**	**222 229 981**	**926 967 445**	**42 977 103**
Cumulative liquidity gap	**(1 049 832 181)**	**(1 234 151 930)**	**(1 198 205 132)**	**(1 106 220 323)**	**(883 990 342)**	**42 977 103**	**42 977 103**

AUDITED 31 DECEMBER 2017	Less than one month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Total US$
Balances with banks and cash	86 762 756	-	-	-	-	-	86 762 756
Money market assets	3 000 250	3 604 000	-	24 158 375	-	-	30 762 625
Financial securities	-	26 649 412	5 678 424	38 007 224	230 592 729	596 801 066	897 728 855
Advances	336 066 352	85 503 866	32 773 360	45 240 550	66 622 509	242 353 093	808 559 730
Other assets	-	34 423 142	-	-	-	-	34 423 142
Financial guarantees	79 719	900 404	2 559 000	4 302 394	404 598	-	8 246 115
Current tax receivable	-	212 734	-	-	-	-	212 734
Total assets	**425 909 077**	**151 293 558**	**41 010 784**	**111 708 543**	**297 619 836**	**839 154 159**	**1 866 695 957**
Liabilities							
Deposits	1 400 476 166	209 895 433	104 566 540	22 525 703	39 436 133	14 480 925	1 791 380 900
Other liabilities	-	12 025 390	-	-	-	-	12 025 390
Financial guarantees	79 719	900 404	2 559 000	4 302 394	404 598	-	8 246 115
Capital commitments contracted for	-	-	-	1 206 141	-	-	1 206 141
Total liabilities	**1 400 555 885**	**222 821 227**	**107 125 540**	**28 034 238**	**39 840 731**	**14 480 925**	**1 812 858 546**
Liquidity gap	**(974 646 808)**	**(71 527 669)**	**(66 114 756)**	**83 674 305**	**257 779 105**	**824 673 234**	**53 837 411**
Cumulative liquidity gap	**(974 646 808)**	**(1 046 174 477)**	**(1 112 289 233)**	**(1 028 614 928)**	**(770 835 823)**	**53 837 411**	**53 837 411**

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

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

Details of the liquidity ratio for the Bank at the reporting date and during the reporting year were as follows:

	%
At 31 December 2018	64.24
At 31 December 2017	43.42
Average for the year	60.09
Maximum for the year	75.88
Minimum for the year	41.32

29. Interest rate risk

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

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

29.1 Interest rate repricing and gap analysis

AUDITED 31 DECEMBER 2018	Less than one month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non interest bearing US$	Total US$
Assets								
Balances with banks and cash	38 067 650	-	-	-	-	-	321 524 233	359 591 883
Money market assets	15 012 192	-	-	44 093 667	-	-	-	59 105 859
Financial securities	-	62 697 556	42 461 638	27 704 364	201 032 120	907 683 528	-	1 241 579 206
Loans & advances to customers	186 725 976	29 281 927	23 484 745	42 644 144	49 225 865	37 716 462	-	369 079 119
Other assets	-	17 098 046	-	-	-	-	60 740 851	77 838 897
Equity investments	-	-	-	-	-	-	4 387 565	4 387 565
Investment property	-	-	-	-	-	-	7 010 000	7 010 000
Property and equipement	-	-	-	-	-	-	51 368 238	51 368 238
Intangible assets	-	-	-	-	-	-	1 337 595	1 337 595
Deffered tax	-	-	-	-	-	-	35 696 359	35 696 359
Current tax receivable	-	895 211	-	-	-	-	-	895 211
Total assets	**239 805 818**	**109 972 740**	**65 946 383**	**114 442 175**	**250 257 985**	**945 399 990**	**482 064 841**	**2 207 889 932**
Equity and liabilities								
Deposits	1 611 162 232	278 612 984	29 999 585	22 457 366	28 028 004	18 432 545	-	1 988 692 716
Other liabilities	-	27 537 540	-	-	-	-	-	27 537 540
Equity and reserves	-	-	-	-	-	-	191 659 676	191 659 676
Total liabilities,equity & reserves	**1 611 162 232**	**306 150 524**	**29 999 585**	**22 457 366**	**28 028 004**	**18 432 545**	**191 659 676**	**2 207 889 932**
Interest rate repricing gap	**(1 371 356 414)**	**(196 177 784)**	**35 946 798**	**91 984 809**	**222 229 981**	**926 967 445**	**290 405 165**	**-**
Cumulative gap	**(1 371 356 414)**	**(1 567 534 198)**	**(1 531 587 400)**	**(1 439 602 591)**	**(1 217 372 610)**	**(290 405 165)**	**-**	**-**

AUDITED 31 DECEMBER 2017	Less than one month US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non interest bearing US$	Total US$
Assets								
Balances with banks and cash	3 990 623	-	-	-	-	-	82 772 133	86 762 756
Money market assets	3 000 250	3 604 000	-	24 158 375	-	-	-	30 762 625
Financial securities	-	26 649 412	5 678 424	38 007 224	230 592 729	596 801 066	-	897 728 855
Loans & advances to customers	336 066 352	85 503 866	32 773 360	45 240 550	66 622 509	242 353 093	-	808 559 730
Other assets	-	28 718 284	-	-	-	-	60 461 027	89 179 311
Equity investments	-	-	-	-	-		956 682	956 682
Investment property	-	-	-	-	-	-	6 077 000	6 077 000
Property and equipement	-	-	-	-	-	-	49 749 580	49 749 580
Intangible assets	-	-	-	-	-	-	2 109 529	2 109 529
Deffered tax	-	-	-	-	-	-	19 420 333	19 420 333
Current tax receivable	-	-	-	-	-	-	212 734	212 734
Total assets	**343 057 225**	**144 475 562**	**38 451 784**	**107 406 149**	**297 215 238**	**839 154 159**	**221 759 018**	**1 991 519 135**
Equity and liabilities								
Deposits	1 400 476 166	209 895 433	104 566 540	22 525 703	39 436 133	14 480 925	-	1 791 380 900
Other liabilities	-	-	-	-	-	-	12 025 390	12 025 390
Equity and reserves	-	-	-	-	-	-	188 112 845	188 112 845
Total liabilities,equity and reserves	**1 400 476 166**	**209 895 433**	**104 566 540**	**22 525 703**	**39 436 133**	**14 480 925**	**200 138 235**	**1 991 519 135**
Interest rate repricing gap	**(1 057 418 941)**	**(65 419 871)**	**(66 114 756)**	**84 880 446**	**257 779 105**	**824 673234**	**21 620 783**	**-**
Cumulative gap	**(1 057 418 941)**	**(1 122 838 812)**	**(1 188 953 568)**	**(1 104 073 122)**	**(846 294 017)**	**(21 620 783)**	**-**	**-**

30 Foreign exchange risk

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

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

At 31 December 2018, if foreign exchange rates at that date had weakened or strengthened by 5 percentage points with all other variables held constant, post tax profit for the year would have been US$223 481 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Bank as at 31 December 2018 is as below:

FOREIGN CURRENCY POSITION

Foreign currency position as at 31 December 2018

Position expressed in US$	Total	USD	ZAR	GBP	EUR	Other foreign currencies
Assets						
Balances with banks and cash	359 591 883	356 192 175	2 432 849	151 718	580 112	235 029
Money market assets	59 105 859	59 105 859	–	–	–	–
Financial securities	1 241 579 206	1 241 579 206	–	–	–	–
Loans and advances to customers	369 079 119	363 032 100	35 561	1 294	6 009 462	702
Other assets	77 838 897	77 691 768	116 329	30 800	–	–
Equity Investments	4 387 565	4 074 093	–	–	313 472	–
Investment properties	7 010 000	7 010 000	–	–	–	–
Property and equipment	51 368 238	50 897 339	394 791	–	76 108	–
Deferred taxation	35 696 359	35 696 359	–	–	–	–
Intangible assets	1 337 595	1 337 595	–	–	–	–
Current tax receivable	895 211	895 211	–	–	–	–
Total assets	**2 207 889 932**	**2 197 511 705**	**2 979 530**	**183 812**	**6 979 154**	**235 731**
Equity and liabilities						
Deposits	1 988 692 716	1 978 923 691	3 278 049	158 752	5 926 177	406 047
Other liabilities	27 537 540	27 356 674	99 565	9 838	71 138	325
Equity and reserves	191 659 676	191 659 676	–	–	–	–
Total equity and liabilities	**2 207 889 932**	**2 197 940 041**	**3 377 614**	**168 590**	**5 997 315**	**406 372**

Foreign currency position as at 31 December 2017

Position expressed in US$	Total	USD	ZAR	GBP	EUR	Other foreign currencies
Assets						
Balances with banks and cash	86 762 756	82 728 120	3 734 689	68 362	94 200	137 385
Money market assets	30 762 625	30 762 625	–	–	–	–
Financial securities	897 728 855	897 728 855	–	–	–	–
Loans and advances to customers	808 559 730	798 464 937	55 693	258 977	9 779 345	778
Other assets	89 179 311	88 304 125	283 318	62 549	529 319	–
Equity investments	956 682	812 781	–	–	143 901	–
Investment properties	6 077 000	6 077 000	–	–	–	–
Property and equipment	49 749 580	49 749 580	–	–	–	–
Deferred taxation	19 420 333	19 420 333	–	–	–	–
Intangible assets	2 109 529	2 109 529	–	–	–	–
Current tax receivable	212 734	212 734	–	–	–	–
Total assets	**1 991 519 135**	**1 976 370 619**	**4 073 700**	**389 888**	**10 546 765**	**138 163**
Equity and liabilities						
Deposits	1 791 380 900	1778 933 675	2 334 777	145 421	9 787 096	179 931
Other liabilities	12 025 390	11 982 571	11 415	21 313	9 785	306
Equity and reserves	188 112 845	188 112 845	–	–	–	–
Total equity and liabilities	**1 991 519 135**	**1 979 029 091**	**2 346 192**	**166 734**	**9 796 881**	**180 237**

Foreign currency position as at 31 December 2018

Underlying currency

	ZAR	GBP	EUR	Other foreign currencies in US$
Assets				
Balances with banks and cash	35 080 223	119 586	507 534	235 029
Loans and advances to customers	512 781	1 020	5 257 622	702
Other assets	1 677 398	24 277	-	-
Equity investments	-	-	274 253	-
Property and equipment	5 692 655	-	66 586	-
Total assets	**42 963 057**	**144 883**	**6 105 995**	**235 731**
Liabilities				
Deposits	47 267 511	125 130	5 184 757	406 047
Other liabilities	1 435 675	7 755	62 237	325
Total liabilities	**48 703 186**	**132 885**	**5 246 994**	**406 372**
Net position	**(5 740 129)**	**11 998**	**859 001**	**(170 641)**

Foreign currency position as at 31 December 2017

Underlying currency

	ZAR	GBP	EUR	Other foreign currencies in US$
Assets				
Balances with banks and cash	46 289 976	50 770	78 789	137 385
Loans and advances to customers	690 293	192 334	8 179 444	778
Other assets	3 511 608	46 453	442 723	-
Equity investments	-	-	120 359	-
Total assets	**50 491 877**	**289 557**	**8 821 315**	**138 163**
Liabilities				
Deposits	28 938 631	107 999	8 185 928	179 931
Other liabilities	141 486	15 829	8 184	306
Total liabilities	**29 080 117**	**123 828**	**8 194 112**	**180 237**
Net position	**21 411 760**	**165 729**	**627 203**	**(42 074)**

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

31.1 Operational risk management framework
CBZ Bank Risk Management Committee exercises adequate oversight over operational risks across the Bank with the support of the Board as well as business and functional level committees. CBZ Bank Risk Management is responsible for setting and approval of Bank Operational Policies and maintaining standards for operational risk.

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

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

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

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

- Comprehensive and consistent compliance policies and procedures exist covering the Bank;
- A proactive and complete summary statement of the Bank's position on ethics and compliance exists;
- A reporting structure of the Bank Enterprise Wide Compliance Function exists that ensures independence and effectiveness; and that
- Yearic compliance and awareness training targeting employees in compliance sensitive areas is carried out.

31.4 Reputation risk
This is the risk of potential damage to the Bank's image that arises from the market's perception of the manner in which the Bank packages and delivers its products and services as well as how staff and management conduct themselves. It also relates to the Bank's general business ethics. This can result in loss of earnings or adverse impact on market capitalisation as a result of stakeholders adopting a negative view to the Bank and its actions. The risk can further arise from the Bank's inability to address any of its other key risks. This risk is managed and mitigated through:
- Continuous improvements of the Bank's operating facilities to ensure that they remain within the taste of the Bank's various stakeholders;
- Ensuring that staff subscribe to the Bank's code of conduct, code of ethics and general business ethics and that;
- Stakeholders' feedback systems that ensures proactive attention to the Bank's reputation management.

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

- Adherence to Know Your Customer Procedures;
- Effective use of compliance enabling technology to enhance anti–money laundering program management, communication, monitoring and reporting;
- Development of early warning systems; and
- Integration of compliance into individual performance measurement and reward structures.

31.6 Risk and Credit Ratings

31.6.1 External Credit Rating

Rating Agent	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Global Credit Rating Co.(Short Term)	A1-	A1-	A1-	A1	A1	A1	-	-	-	-	-	-
Global Credit Rating Co. (Long Term)	A	A	A	A	A+	A+	A+	A+	A	A	A	A+

No short-term ratings were provided by the rating agent from 2007 to 2012.

31.6.2 Reserve Bank of Zimbabwe Ratings

CAMELS RATING MATRIX - 31 December 2018 RBZ ONSITE EXAMINATION

	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank Limited	2	1	3	2	2	2	2

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

32. CAPITAL MANAGEMENT

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

- Regulatory capital,
- Economic capital, and
- Available book capital.

32.1 Capital Adequacy

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

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Risk weighted assets	599 925 665	740 090 523
Total qualifying capital	172 375 756	180 285 924
Tier 1		
Share capital	5 118 180	5 118 180
Share premium	16 721 711	16 721 711
Revenue reserves	152 400 726	153 875 556
Exposures to insiders	(26 782 991)	(17 078 054)
Deferred tax asset	(35 696 359)	(19 420 333)
Total core capital	111 761 267	139 217 060
Less transfer to Tier 3	(21 688 954)	(20 701 028)
	90 072 313	118 516 032
Tier 2		
Revaluation reserve	14 484 354	12 397 399
Fair value reserve	2 934 705	-
General provisions	7 499 071	9 251 132
Deferred tax asset	35 696 359	19 420 333
	60 614 489	41 068 864
Tier 3		
Capital allocated for market risk	327 360	158 762
Capital allocated to operations risk	21 361 594	20 542 266
	21 688 954	20 701 028
Capital adequacy	28.73%	24.36%
-Tier 1	15.01%	16.01%
-Tier 2	10.10%	5.55%
-Tier 3	3.62%	2.80%

Regulatory capital consists of Tier 1 capital which comprises share capital, share premium and revenue reserves including current year profit. The other component of the regulatory capital is Tier 2 capital, which includes general provisions and revaluation reserves. The regulated minimum capital base required by the Central Bank is US$25 million with a tier 1 ratio of 8% and a total capital adequacy ratio of 12%.

33. CONTINGENCIES AND COMMITMENT

33.1 Compliance matter

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

34. CORPORATE GOVERNANCE STATEMENT

The quality of corporate governance practices is becoming an increasingly important factor in maintaining market confidence. The Bank is committed to and supports the principles contained in the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline No. 01-2004/BSD, as well as the King III Code which is an internationally regarded benchmark in Corporate Governance.

35. DISCLOSURE POLICY

The Board is aware of the importance of balanced and understandable communication of the Bank's activities to stakeholders and strives to clearly present any matters material to a proper appreciation of the Bank's position. The interests and concerns of stakeholders are addressed by communicating information in a timely manner.

The Directors foster a mutual understanding of objectives shared between the Bank and its institutional shareholders by meeting with and making presentations to them on a regular basis. The Board welcomes and encourages the attendance of private shareholders at general meetings and gives them the opportunity to have questions addressed.

The Bank endeavours to ensure, through its regular public dissemination of quantitative and qualitative information that analysts' estimates are in line with the Bank's own expectations. The Bank does not confirm or attempt to influence analysts' opinions or conclusions and does not express comfort with analysts' models and earnings estimates.

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Bank's 31 December 2018 reporting date, on 22nd of February 2019, the Government of Zimbabwe issued Statutory Instrument (S.I) 33 of 2019 as an amendment to the Reserve Bank of Zimbabwe Act. It introduced a new currency called the RTGS Dollar and also specified, that for accounting and other purposes, all assets and liabilities, that were immediately before the effective date, valued in United States Dollars (other than assets and liabilities referred to in section 44C (2) of the Reserve Bank of Zimbabwe Act) shall on and after the effective date be deemed to be values in RTGS dollars at a rate of one-to-one to the United States Dollar. In essence, the Statutory instrument became prescriptive to the accounting treatment otherwise under the ambit of International Accounting Standard (IAS) 21 (The effects of changes in Foreign Exchange Rates).

On the same day, The Exchange Control Directive RU 28 of 2019 was issued and it introduced an interbank market for the RTGS Dollar and the USD as well as other existing currencies in the multi-currency system. The exchange rate between the USD and newly introduced RTGS Dollar was set at USD1: RTGS$2.5.

The Directors are of the view that the requirement to comply with the Statutory Instrument and the guidance issued by the Public Accountants and Auditors Board on 21 March 2019) has created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes in Foreign Exchange Rates) and International Accounting Standard (IAS) 10 (Events after the reporting date). This has resulted in the accounting treatment adopted by the Bank in the 2018 Financial Statements being different from that which the Directors would have adopted if the Bank had been able to fully comply with IFRSs.

The impact on the 2018 Statement of Financial Position (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates and reporting in the RTGS $ is shown below:

STATEMENT OF FINANCIAL POSITION

	Total RTGS $ Assets/ Liabilities Balances	Total US$ Monetary Assets/ Liabilities Nostro FCA USD	Total US$ Non–monetary Assets/ Liabilities Nostro FCA USD	Total Translated at a rate of US$1:RTGS$1	Total RTGS $ Translated at a rate of US$1:RTGS$2.5	Total RTGS $ Translated at a rate of US$1:RTGS$4	Total RTGS $ Translated at a rate of US$1:RTGS$5
ASSETS							
Balances with banks and cash	312 574 067	47 017 816	–	359 591 883	430 118 607	500 645 331	547 663 147
Money market assets	59 105 859	–	–	59 105 859	59 105 859	59 105 859	59 105 859
Financial securities	1 241 579 206	–	–	1 241 579 206	1 241 579 206	1 241 579 206	1 241 579 206
Loans and advances to customers	363 009 717	6 069 402	–	369 079 119	378 183 222	387 287 325	393 356 727
Equity investments	4 074 093	–	313 472	4 387 565	4 857 773	5 327 981	5 641 453
Other assets	31 858 170	–	45 980 727	77 838 897	146 809 986	215 781 077	261 761 804
Current tax receivable	895 211	–	–	895 211	895 211	895 211	895 211
Intangible assets	1 337 595	–	–	1 337 595	1 337 595	1 337 595	1 337 595
Investment properties	–	–	7 010 000	7 010 000	17 525 001	28 040 001	35 050 002
Property and equipment	13 274 238	–	38 094 000	51 368 238	108 509 238	165 650 238	203 744 238
Deferred taxation	35 696 359	–		35 696 359	35 696 359	35 696 359	35 696 359
TOTAL ASSETS	**2 063 404 515**	**53 087 218**	**91 398 199**	**2 207 889 932**	**2 424 618 057**	**2 641 346 183**	**2 785 831 601**
LIABILITIES							
Deposits	1 918 701 124	69 991 592	–	1 988 692 716	2 093 680 104	2 198 667 492	2 268 659 084
Other liabilities	27 368 096	–	169 444	27 537 540	27 791 708	28 045 875	28 215 319
	1 946 069 220	**69 991 592**	**169 444**	**2 016 230 256**	**2 121 471 812**	**2 226 713 367**	**2 296 874 403**
EQUITY							
Share capital	5 118 180	–	–	5 118 180	5 118 180	5 118 180	5 118 180
Share premium	16 721 711	–	–	16 721 711	16 721 711	16 721 711	16 721 711
Revaluation reserve	14 484 354	–	–	14 484 354	14 484 354	14 484 354	14 484 354
Revenue reserves	152 400 726	–	–	152 400 726	152 400 726	152 400 726	152 400 726
Foreign currency translation reserve	–	–	–	–	111 486 572	222 973 144	297 297 526
Fair value reserve	2 934 705	–	–	2 934 705	2 934 705	2 934 705	2 934 705
TOTAL EQUITY	**191 659 676**	**–**	**–**	**191 659 676**	**303 146 248**	**414 632 820**	**488 957 202**
TOTAL LIABILITIES AND EQUITY	**2 137 728 896**	**69 991 592**	**169 444**	**2 207 889 932**	**2 424 618 060**	**2 641 346 187**	**2 785 831 605**

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Gross written premium		11 108 388	10 094 396
Reinsurance premium		(340 832)	(477 265)
Net written premium		**10 767 556**	**9 617 131**
Unearned premium movement	12.1	(157 406)	374 268
Net earned premium		**10 610 150**	**9 991 399**
Net commission	2	(903 036)	(1 044 445)
Net claims	3	(3 056 404)	(3 272 623)
Underwriting profit		**6 650 710**	**5 674 331**
Operating expenditure	4	(3 187 055)	(3 428 145)
Transfer to annuity reserve		(31 526)	-
Expected credit loss		(188 392)	75 704
Operating profit		**3 243 737**	**2 321 890**
Investment income	5	1 149 079	1 390 978
Profit before taxation		**4 392 816**	**3 712 868**
Taxation	6	(19 332)	(8 711)
Profit for the year		**4 373 484**	**3 704 157**
Other comprehensive income		-	-
Total comprehensive income		**4 373 484**	**3 704 157**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
ASSETS			
Current assets			
Cash and cash equivalents	7	1 346 204	3 772 617
Money market assets	8	10 423 545	11 180 856
Financial securities		3 362 417	1 785 703
Equity investments		4 555 564	897 799
Insurance contract assets	9	616 972	613 801
Other receivables		71 053	315 533
Current tax receivables		43	9 779
		20 375 798	**18 576 088**
Non-current assets			
Intangible assets	10	246 211	384 705
Property and equipment	11	1 933 908	847 251
Investment properties		4 639 000	3 389 889
		6 819 120	**4 621 845**
TOTAL ASSETS		**27 194 918**	**23 197 933**
EQUITY AND LIABILITIES			
Liabilities			
Life fund	12	1 593 605	1 465 928
Investment contract liabilities	13	2 393 424	1 806 934
Other payables	14	2 047 871	2 210 493
		6 034 900	**5 483 355**
Equity			
Share capital	15	2	2
Share premium		1 388 012	1 388 012
Revenue reserves		19 772 004	16 326 564
		21 160 018	**17 714 578**
TOTAL EQUITY AND LIABILITIES		**27 194 918**	**23 197 933**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$	Share premium US$	Revenue reserves US$	Total US$
Audited 31 December 2017				
Opening balance	2	1 388 012	13 466 083	14 854 097
Total comprehensive income	-	-	3 704 157	3 704 157
Dividend paid	-	-	(843 676)	(843 676)
Closing balance	**2**	**1 388 012**	**16 326 564**	**17 714 578**
Audited 31 December 2018				
Opening balance	2	1 388 012	16 326 564	17 714 578
Total comprehensive income	-	-	4 373 484	4 373 484
Dividend paid	-	-	(928 044)	(928 044)
Closing balance	**2**	**1 388 012**	**19 772 004**	**21 160 018**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**4 392 816**	**3 712 868**
Non cash items:		
Depreciation	76 147	85 555
Amortisation	138 493	168 852
Unearned premium movement	157 406	(374 268)
Impairment of property and equipment	-	20 887
Claims incurred but not reported	(61 255)	(4 796)
Unearned commission on reinsurance premium movement	(24 893)	125 786
Fair value adjustment on investment properties	(215 711)	(553 659)
Revaluation on property and equipment	48 928	-
Fair value adjustment on financial instruments	(189 142)	(78 810)
Loss on sale of property and equipment	5 598	-
Annuity reserve movement	31 526	-
Credit loss expense	188 392	(75 704)
Operating profit before changes in operating assets and liabilities	**4 548 305**	**3 026 711**
Changes in operating assets and liabilities		
Other receivables	243 261	(246 638)
Insurance contract assets	(165 116)	(280 366)
Other payables	(162 622)	1 106 711
Money market assets	757 135	3 184 059
Financial securities	(1 576 873)	(1 785 703)
Life assurance investment contract liabilities	586 490	289 813
	(317 725)	**2 267 876**
Corporate tax paid	(9 596)	(9 972)
Net cash inflow from operating activities	**4 220 984**	**5 284 615**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investment	(3 468 623)	(818 989)
Purchase of property and equipment	(1 217 808)	(688 384)
Proceeds on disposal of property and equipment	478	-
Purchase of intangible assets	-	(10 070)
Purchase of investment properties	(1 033 400)	(1 242 230)
Net cash outflow from investing activities	**(5 719 353)**	**(2 759 673)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(928 044)	(843 676)
Net cash outflow from financing activites	**(928 044**	**(843 676)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(2 426 413)**	**1 681 266**
Cash and cash equivalents at the beginning of the year	3 772 617	2 091 351
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1 346 204**	**3 772 617**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INCORPORATION AND ACTIVITES

The company offers life insurance services and is incorporated in Zimbabwe.

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017
2.	**NET COMMISSION**		
	Commission paid	1 028 523	1 021 607
	Commission received	(100 594)	(102 948)
	Deferred acquistion cost	(24 893)	125 786
		903 036	**1 044 445**
3.	**NET CLAIMS**		
	Gross claims paid	2 229 159	3 657 710
	Claims received from reinsurance	(21 874)	(380 291)
	Incurred but not reported provision movement	(61 255)	(4 796)
	Gross outstanding claims	910 374	-
		3 056 404	**3 272 623**
4.	**OPERATING EXPENDITURE**		
	Administration expenses	1 701 673	1 261 897
	Management fees	-	208 828
	Audit fees	26 987	29 315
	Depreciation	76 148	85 555
	Amortisation of intangible assets	138 493	168 852
	Staff costs	1 243 754	1 673 698
		3 187 055	**3 428 145**
	Directors' remuneration (included in staff costs)		
	Fees for services as Directors	36 386	41 810
	Pension for past and present directors	52 623	52 238
	Salaries and other benefits	519 980	518 840
		608 989	**612 888**
5.	**INVESTMENT INCOME**		
	Short term money market interest	726 611	717 682
	Interest on bank balances	1 168	1 302
	Revaluation of property and equipment	(48 928)	-
	Fair value adjustment on equities	189 142	78 810
	Fair value adjustment on investment properties	215 711	553 659
	Loss on disposal of fixed assets	(5 598)	-
	Other income	70 973	39 525
		1 149 079	**1 390 978**
6.	**TAXATION**		
	The following constitutes the major components of tax expense recognised in the statement of comprehensive income.		
	Current income tax	**19 332**	**8 711**
6.1	**TAX RATE RECONCILIATION**	**%**	**%**
	Notional tax	25.00	25.00
	Aids levy	0.75	0.75
	Permanent differences	(25.31)	(25.52)
	Effective tax rate	**0.44**	**0.23**

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
7.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	1 346 204	3 772 617
8.	**MONEY MARKET INVESTMENTS**		
8.1	**Money market assets:**		
	Loans and receivables	10 423 545	11 180 856
8.2	**Maturity analysis**		
	Less than 3 month	6 366 383	8 735 320
	Between 3 months and 6 months	909 024	167 255
	Between 6 months and 1 year	3 148 314	2 278 281
	Less expected credit loss	(176)	-
		10 423 545	**11 180 856**
9.	**INSURANCE CONTRACTS ASSETS**		
	Reinsurance unearned premium reserve	4 395	2 803
	Reinsurance receivables	258	-
	Deferred acquisition costs	202 720	177 827
	Premium receivables	639 404	491 114
	Suspended premium	(42 967)	(57 943)
	Credit loss provision	(186 838)	-
		616 972	**613 801**
10.	**INTANGIBLE ASSETS**		
	Computer Software		
	Cost		
	Opening balance	882 107	886 115
	Additions	-	10 070
	Impairment	-	(14 078)
	Closing balance	**882 107**	**882 107**
	Amortisation		
	Opening balance	497 402	328 550
	Charge for the year	138 493	168 852
	Closing balance	**635 895**	**497 402**
	Carrying amount at end of the year	**246 212**	**384 705**

11. PROPERTY AND EQUIPMENT

	Motor vehicles US$	Buildings US$	Computers furniture and other equipment US$	Work in Progress	Audited 31 Dec 2018 US$	Audited 31 Dec 2017 US$
Cost						
Opening balance	138 879	–	439 189	663 133	1 241 201	566 981
Additions	65 810	–	–	1 151 998	1 217 808	688 384
Disposals	–	–	(28 115)	–	(28 115)	–
Transfers (PPE inter categories)	–	1 700 000	–	(1 700 000)	–	
Write–offs	–	–	–	–	–	(14 164)
Impairment on property and equipment	–	–	–	(48 928)	(48 928)	–
Closing balance	**204 689**	**1 700 000**	**411 074**	**66 203**	**2 381 966**	**1 241 201**
Accumulated depreciation						
Opening balance	88 847	–	305 103	–	393 950	315 750
Charge for the year	19 984	–	56 163	–	76 147	85 555
Write–offs	–	–	–	–	–	(7 355)
Disposals	–	–	(22 039)	–	(22 039)	
Closing balance	**108 831**	**–**	**339 227**	**–**	**448 058**	**393 950**
Net Book Value	**95 858**	**1 700 000**	**71 847**	**66 203**	**1 933 908**	**847 251**

12. LIFE FUND

		Unearned premium reserve US$	IBNR US$	Annuity reserve US$	Total US$
12.1	Movement in Life fund				
	Opening balance 1 January 2017	1 313 343	531 649	–	1 844 992
	Transfer to income	(374 268)	(4 796)	–	(379 064)
	Closing balance at 31 Dec 2017	939 075	526 853	–	1 465 928
	Transfer from / (to) income	157 406	(61 255	31 526	127 677
	Closing balance at 31 Dec 2018	**1 096 481**	**465 598**	**31 526**	**1 593 605**

		AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
12.2	**Life fund liabilities are supported by the following net assets:**		
	Money market assets	509 420	874 418
	Prescribed assets	301 200	153 541
	investment property	447 624	397 383
	Listed equity investments	335 361	40 586
		1 593 605	**1 465 928**
13.	**INVESTMENT CONTRACT LIABILITIES**		
13.1	**Investment contract movement**		
	Opening balance	1 806 934	1 517 121
	Interest on investment fund	76 910	76 067
	Fund management fees	(41 212)	(23 501)
	Investments from clients	1 064 404	906 391
	Withdrawals by clients	(513 612)	(669 144)
	Closing balance	**2 393 424**	**1 806 934**
13.2	**Investment contract liabilities are supported by the following net assets:**		
	Money market assets	1 321 034	717 827
	Prescribed assets	708 394	715 212
	Cash and cash equivalents	139 937	249 204
	Listed equity investments	224 059	124 691
		2 393 424	**1 806 934**
14.	**OTHER PAYABLES**		
	Inter-company	24 047	298 480
	Sundry payables	1 346 035	1 262 324
	Prepaid premium debtors	677 789	649 689
		2 047 871	**2 210 493**
15.	**SHARE CAPITAL**		
15.1	**Authorised share capital**		
	20 000 ordinary shares of US$1 each	**20 000**	**20 000**
15.2	**Issued share capital**		
	2 ordinary shares of US$1 each	**2**	**2**

CBZ INSURANCE

Partners For Success

AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED **31 DECEMBER 2018**

BANKING | INSURANCE | ASSET MANANGEMENT | PROPERTY INVESTMENT | MORTGAGE FINANCE

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DATVEST

A member of the CBZ Holdings Group

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Gross written premium	**13 154 133**	**10 435 729**
Reinsurance premium	(6 404 568)	(4 853 094)
Net written premium	**6 749 565**	**5 582 635**
Unearned premium movement	(498 867)	12 876
Net earned premium	**6 250 698**	**5 595 511**
Net commission	(134 121)	(49 372)
Net claims	(3 374 025)	(2 295 737)
Technical result	**2 742 552**	**3 250 402**
Operating expenditure	(2 511 734)	(1 903 564)
Impairment loss	12 952	(234 457)
Under writing profit	**243 770**	**1 112 381**
Other income	113 975	1 422 678
Profit before taxation	**357 745**	**2 535 059**
Taxation	199 186	(155 307)
Profit for the year	**556 931**	**2 379 752**
Other comprehensive income	-	-
Total comprehensive income for the year	**556 931**	**2 379 752**
Basic earnings per share (cents)	**35.65**	**152.32**
Diluted earnings per share (cents)	**35.65**	**152.32**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
ASSETS		
Cash and cash equivalents	1 760 236	1 004 022
Money market assets	2 413 436	4 749 315
Other assets	219 961	283 549
Tax receivable	387 439	359 620
Insurance receivables	3 571 866	1 676 585
Insurance contract assets:		
Reinsurance receivables	504 331	430 764
Reinsurance outstanding claims	1 331 003	334 782
Deferred acquisition costs	570 243	408 961
Reinsurance unearned premium reserve	2 024 187	1 347 936
Financial assets at fair value through profit or loss	1 573 993	1 351 846
Investment properties	135 000	135 000
Property and equipment	2 191 894	868 892
Deferred tax asset	474 558	265 169
TOTAL ASSETS	**17 158 147**	**13 216 441**
EQUITY AND LIABILITIES		
LIABILITIES		
Other payables	456 812	457 215
Insurance contract liabilities:		
Reinsurance payables	1 324 675	747 363
Gross outstanding claims	2 296 376	835 705
Incurred but not yet reported claims	573 983	375 554
Unearned commission reserve	528 020	353 084
Gross unearned premium reserve	4 317 264	3 142 147
Total liabilities	**9 497 130**	**5 911 068**
EQUITY		
Share capital	78 116	78 116
Share premium	1 479 091	1 479 091
Retained earnings	6 103 810	5 748 166
Total equity	**7 661 017**	**7 305 373**
TOTAL EQUITY AND LIABILITIES	**17 158 147**	**13 216 441**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$	Share premium US$	Retained earnings US$	Total US$
Audited 31 December 2017				
Opening balance	78 116	1 479 091	3 551 402	5 108 609
Dividends paid	-	-	(182 988)	(182 988)
Total comprehensive income	-	-	2 379 752	2 379 752
Closing balance	**78 116**	**1 479 091**	**5 748 166**	**7 305 373**
Audited 31 December 2018				
Opening balance	78 116	1 479 091	5 748 166	7 305 373
Dividends paid	-	-	(201 287)	(201 287)
Total comprehensive income	-	-	556 931	556 931
Closing balance	**78 116**	**1 479 091**	**6 103 810**	**7 661 017**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Profit before taxation	**357 745**	**2 535 059**
Non cash items:		
Depreciation	93 408	53 837
Amortisation	-	16 900
Derecognition of intangible assets	-	(38 675)
Impairment of other assets	50 200	(6 660)
Fair value adjustment-investment property	2 751	10 000
Fair value adjustment-listed investments	154 162	(1 153 210)
Unearned premium reserve movement	498 867	(12 876)
Deferred commission movement	13 655	67
Incurred but not yet reported claims provision	198 429	118 237
Profit on disposal of property and equipment	7 576	136
Foreign exchange gains	(6 046)	-
Impairement loss	13 129	234 457
Allowance for credit loss - financial instruments	178	-
Cash flow before changes in operating assets and liabilities	**1 384 054**	**1 757 272**
Changes in operating assets and liabilities		
Decrease in inventory	-	2 000
Increase in receivables	(2 965 070)	(15 180)
Decrease in money market assets	2 335 879	1 671 593
Decrease /(increase) in payables	2 089 434	(1 563 465)
	2 844 297	**1 852 220**
Tax paid	(38 022)	(569 805)
Cash utilised in operating activities	**2 806 275**	**1 282 415**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1 473 746)	(728 992)
Investment property	(2 751)	-
Proceeds on disposal of property and equipment	832	3 361
Purchase of intangible assets	-	(16 900)
Purchase of investments	(376 309)	190 000
Net cash utilised in investing activities	**(1 851 974)**	**(552 531)**
CASHFLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(198 087)	(180 079)
Net cash proceeds generated from financing activities	**(198 087)**	**(180 079)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**756 214**	**549 805**
Cash and cash equivalents at the beginning of the year	1 004 022	454 217
Balances with banks and cash at end of the year	**1 760 236**	**1 004 022**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
Revenue	3 970 823	2 923 649
Operating expenditure	(2 243 232)	(2 056 298)
Profit before taxation	**1 727 591**	**867 351**
Taxation	(477 937)	(253 382)
Profit for the year after taxation	**1 249 654**	**613 969**
Other comprehensive income	-	-
Total comprehensive income	**1 249 654**	**613 969**

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
ASSETS		
Balances with banks and cash	1 016 729	505 988
Money market assets	1 047 127	1 704 679
Equity investments	257 531	252 299
Other assets	652 603	919 786
Investment property	1 830 000	90 000
Intangible assets	7 613	7 704
Property and equipment	101 227	202 630
Deferred taxation	86 275	40 084
TOTAL ASSETS	**4 999 105**	**3 723 170**
LIABILITIES		
Current taxation	106 655	18 055
Other liabilities	8 895	62 451
Provisions	435 337	382 703
TOTAL LIABILITIES	**550 887**	**463 209**
EQUITY		
Share capital	63 005	63 005
Share premium	1 924 944	1 924 944
Revenue reserves	2 460 269	1 272 012
TOTAL EQUITY	**4 448 218**	**3 259 961**
TOTAL LIABILITIES AND EQUITY	**4 999 105**	**3 723 170**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US$	Share premium US$	Revenue reserves US$	Total US$
Audited 31 December 2017				
Opening balance	63 005	1 924 944	658 043	2 645 992
Total comprehensive income	-	-	613 969	613 969
Closing balance	**63 005**	**1 924 944**	**1 272 012**	**3 259 961**
Audited 31 December 2018				
Opening balance	63 005	1 924 944	1 272 012	3 259 961
Total comprehensive income	-	-	1 249 654	1 249 654
Dividend paid	-	-	(61 397)	(61 397)
Closing balance	**63 005**	**1 924 944**	**2 460 269**	**4 448 218**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US$	AUDITED 31 DEC 2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1 727 591**	**867 351**
Non cash items:		
Fair value adjustment	96 915	44 366
Depreciation and amortisation	38 552	48 653
Loss on sale of property and equipment	267	902
Impairment of assets	3 122	19 686
Operating cash inflow before changes in operating assets and liabilities	**1 866 447**	**980 958**
Changes in operating assets and liabilities		
Money market assets	657 516	220 479
Equity investments	(42 147)	(293 651)
Investment properties	(1 718 645)	-
Advances	-	12 907
Other assets	267 183	(195 303)
Other liabilities	(53 556)	(20 705)
Provisions	52 634	88 168
	(837 015)	**(188 105)**
Corporate tax paid	(435 528)	(246 259)
Net cash inflow from operating activities	**593 904**	**546 594**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	506	704
Purchase of property and equipment	(14 681)	(94 298)
Purchase of intangible assets	(7 591)	(1 841)
Net cash outflow from investing activities	**(21 766)**	**(95 435)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(61 397)	-
Net cash outflow from financing activities	**(61 397)**	**-**
NET INCREASE IN BALANCES WITH BANKS AND CASH	**510 741**	**451 159**
Balances with banks and cash at the beginning of the year	505 988	54 829
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	**1 016 729**	**505 988**

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Building a better working world

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Independent Auditor's Report

To the Shareholders of CBZ Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of CBZ Holdings Limited and its subsidiaries (the Group), set out on pages 12 to 95 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 1.1 to the financial statements, the functional currency applied by management is the United States Dollar (US$) and the financial statements are presented in US$ on the basis that the official exchange rate as at 31 December 2018 between the Real Time Gross Settlement Electronic Dollar (RTGS$) and the United States Dollar (US$) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate foreign currency accounts (FCAs) into two categories, namely RTGS FCA and Nostro FCA during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS$) and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and the 1:1 RTGS$: US$ exchange rate as at and prior to the 31 December 2018 year end.

Based on International Financial Reporting Standards IAS 21 *the Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."* International Accounting Standard 10 *Events after the Reporting Period* ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and subsequent promulgation of the RTGS$ as a formal currency supports that there was a change in functional currency from US$ to RTGS$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS$: US$ exchange rate and that this occurred prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October and 31 December 2018, the valuation of assets and liabilities at yearend as well as the accounting for foreign exchange differences. We believe that the consolidated and separate financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the group include balances and transactions denominated in RTGS$ that were not converted to US$ at an RTGS$: US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. The directors have prioritised compliance with the requirements of SI33, despite the fact that the requirements of IAS21 would not be met. Further disclosure on this matter is included in Note 39 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had RTGS$ been designated as the functional currency and a different RTGS$:US$ currency rate been determined and applied by management, virtually every account in, and the information provided by way of the notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of

Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report but does not include the financial statements and our auditors report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Number 335).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare

09 May 2019