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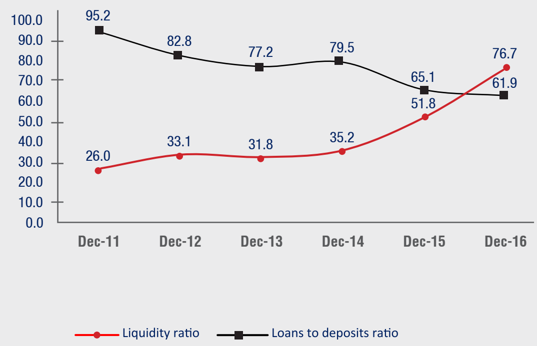
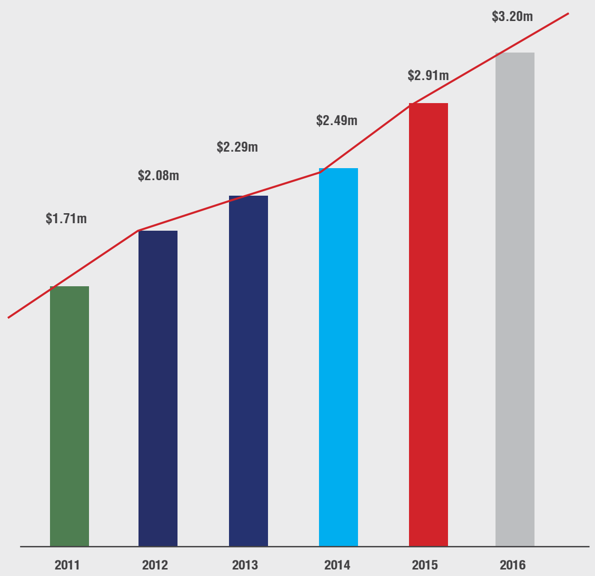
GROUP SALIENT FEATURES

	2016	2015
Total assets ($m)	2 086.6	1 974.4
Gross advances ($m)	1 068.0	1 095.9
Impairment loss on advances ($m)	19.6	23.5
Total net advances ($m)	1 007.2	1 021.0
Total deposits ($m)	1 777.2	1 684.3
Profit after taxation ($m)	23.8	35.2
Funds under management – CBZ Asset Management ($m)	147.6	131.3
Total insurance assets – CBZ Insurance (Private) Limited ($m)	12.5	9.9
Life Fund – CBZ Life Limited ($m)	1.8	3.4
Basic earnings per share (cents)	4.5	6.5
Return on assets (%)	1.4	2.2
Return on equity (%)	8.7	14.3
Non–interest income as a % of total income	43.4	34.3
Advances/Deposits ratio (including offshore) (%)	60.1	65.1
Cost to income ratio (%)	69.6	64.7
Capital adequacy (%) – CBZ Bank Limited	22.3	16.3
Permanent staff complement	1 344	1 359

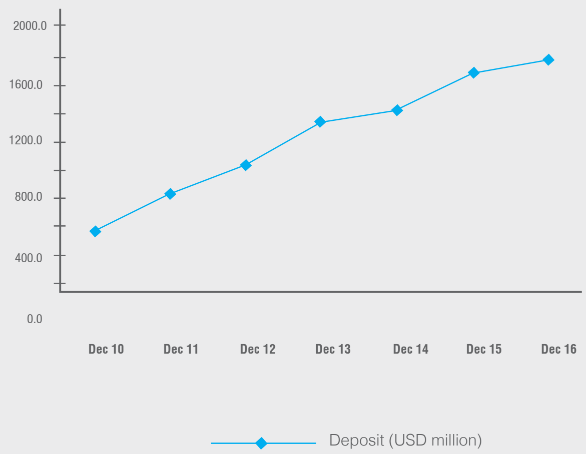
Prudential Liquidity Management



Dividend Trend



Deposits Trend



HOW WE CREATE VALUE

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

Earnings Diversification

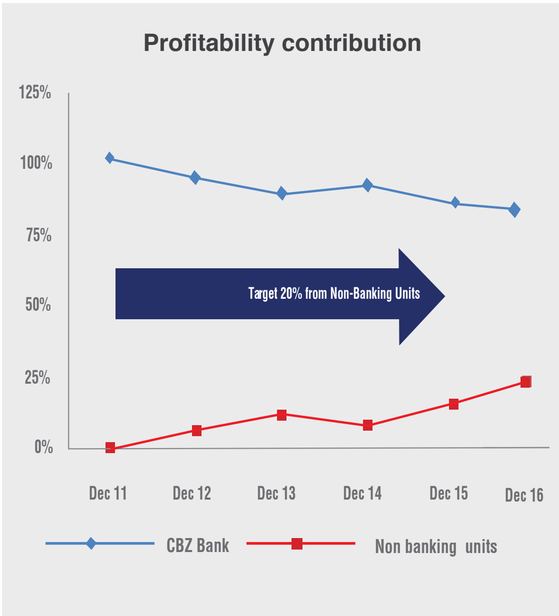
Being aware of the risks associated with earnings concentration risk, the Group continuosly seeks to diversify the sources of business revenue. Efforts continue to be exerted towards the growth of non-banking related revenue to help this cause.

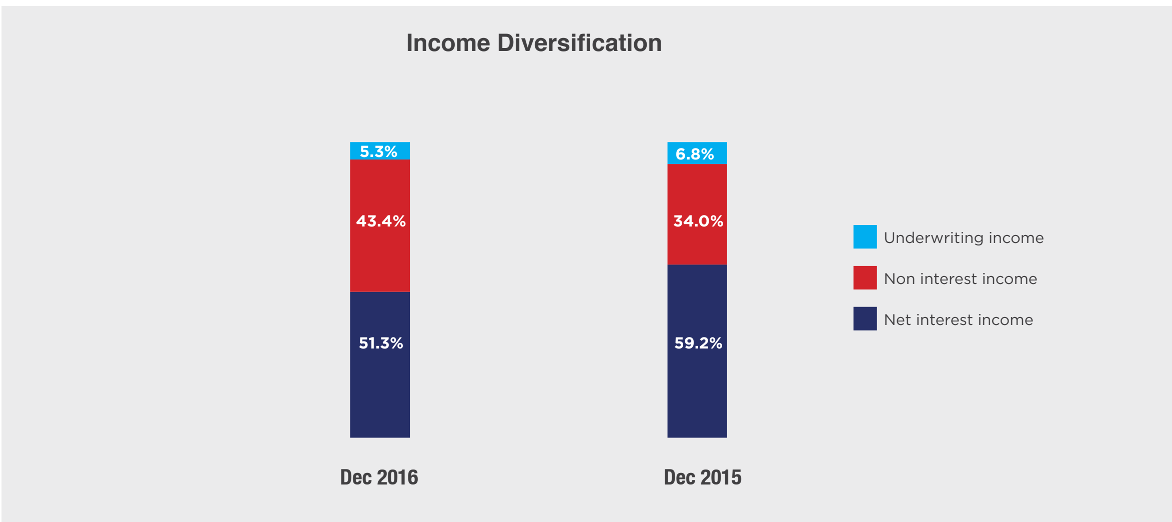
The contribution of non-banking subsidiaries to the Group's profit after tax increased further from 15% in 2015 to 17.4% in 2016, edging closer to our long term strategic target of 20%.

This performance reflected the Group's successful efforts in growing the Funds Under Management, underwriting a quality book in the insurance segment as well as maximising on synergistic advantages by upselling products, cross selling products and reducing unnecessary costs through sharing of common resources and platforms.

The incorporation of CBZ Risk Advisory Services (Private) Limited, as the Group's 7th Strategic Business Unit, is expected to further strengthen the income diversification drive. CBZ Risk Advisory Services (Private) Limited is wholly owned by CBZ Holdings Limited and it will complement the income diversification strategy and the existing business units through offering Short Term Insurance Broking & Risk Advisory Services, Group Employee Benefits & Pensions Consultancy and Individual Life Financial Planning services.

We remain confident that the structures that we have put in place, for example the Group Innovation Committee, and the pursuance of a portfolio diversification strategy, will strengthen our drive to achieve the earnings mix.





Strengthen Group synergies and promote innovation

The results of the Group's investment in innovation and research & development became more pronounced during the year 2016, with the Group subsequently receiving various awards for its innovation efforts. Two major innovations, that is CBZ Touch – the Group's Digital Bank, and the CBZ Experience Center – the 24/7 Contact Center, were launched in 2016. The uptake and utilisation of these platforms has been tremendous, with CBZ Touch recording average registrations of 4 200 customers per month, supported by initiatives through both the Experience Center and traditional branches.

Other innovations launched during the year 2016 were in the areas of payments, physical distribution, remittances, processes & systems, as well as products and services. These included, among others;

- The Visa Chip & PIN Card
- Field Agents for Product Distribution
- Remittances Partnerships with MoneyGram and Hello Paisa
- Process Redesigns and Automations

In line with the digital strategy, the Group also pursued a strategy to offer smart devices to its staff members through a Staff Smart Devices Scheme. This was meant to enable staff members to experience the Group's new digital solutions so that they can easily sell the same to the Group's clients. Subsequently, this also resulted in the Group successfully making its staff members, brand ambassadors, hence the superb uptake of digital solutions such as CBZ Touch.

Meanwhile, reflecting the successful filtering of the innovation culture across the Group, we closed the year 2016 with more than 20 innovations in the pipeline. The Group expects to progressively launch these innovations throughout the year 2017, for the benefit of its wide range of customers.

Looking at synergies, the Group continued to take advantage of the One CBZ Model by, among other things, sharing knowledge, sharing resources, pursuing coordinated strategies and initiatives as well as upselling and cross selling products and services. These efforts were buttressed by the ongoing Business Efficiency Project "BEP", through which more than 300 processes were redesigned and realigned across the Group, to make them more agile and efficient.

More planned initiatives under the BEP, among them systems automations and processes redesign are expected to further strengthen the drive to maximise on synergistic advantages.

Having already won the nomination for the Best Mobile App (2016) and the Most Innovative Bank (2016), CBZ Holdings remains committed to its clear ambition to become the most innovative financial services institution in the markets we serve.

Develop valuable strategic alliances

In line with our guiding principle, in which we believe that alliances created out of mutual understanding, result in greater value for all stakeholders, we ensured that we maintained and strengthened our relationships with the following alliance partners:

- Truworths,
- Chicken Slice,
- Total Zimbabwe,
- Food & Agriculture Organisation (FAO),
- CARE International,
- Swedish International Development Cooperation Agency (SIDA),
- CARITAS, and
- Zimbabwe Agriculture Development Trust (ZADT)

To buttress that with our strong belief in the youths as the future market, we partnered with the Empowered Life Trust and Star FM and launched the inaugural CBZ Youth Entrepreneurs Program "YEP" at the end of 2016. The objectives of the program are to;

1. Empower and capacitate the country's skilful youths so that they grow their businesses and projects beyond the proverbial start-up phase.
2. Develop the youth entrepreneurs' professional skills and conduct so that they can easily interact with the rest of the corporate world.
3. Open up networking opportunities for the youth entrepreneurs so that they can increase trade both amongst themselves and with the rest of the corporate world, and
4. Enable the youths to connect with like-minded, purpose driven people across the country.

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

"In line with our strong belief in the youths as the future market, we partnered with the Empowered Life Trust and Star FM and launched the inaugural CBZ Youth Entrepreneurs Program "YEP" at the end of 2016."

Drive strong investor relations

The Group strives to maintain strong relationships with its investors be it past, current or future investors, and all stakeholders at large. Therefore, as part of our efforts to increase value for this critical stakeholder, we strengthened our Investor Relations programmes during the year and going forward.

We have continued to improve and align our corporate reporting and governance structures that have resulted in the Group being awarded a number of accolades for the financial year ended 31 December 2016 (refer to page 22).

The Group sought to communicate clear, accurate, credible and consistent information about CBZ Holdings to the community, with the aim of ensuring all investors have access to material and non-material information, enabling them to make informed decisions which should result in the entity's security trading at fair value. To this end, CBZ Holdings has refined and improved its Annual Integrated Report, whilst work has already begun to incorporate a full sustainability report in the forthcoming financial period.

Our endeavour to build relationships with buy and sell-side analysts, portfolio managers, regulators, rating agencies, the media and the community at large, saw the Group continue to improve its governance, reporting and business efficiency which resulted in the Group maintaining a stable share price throughout the year.

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

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

The Group's thrust to develop trust and credibility in the capital markets, saw senior management holding three analysts briefings during the year, complimented by a number of local and international road shows. We continued to engage our regulators on issues of importance and relevance thereby contributing to the formation of regulations and codes of practice. All the Group's subsidiaries were rated for the second consecutive year with all the units maintaining or improving their ratings.

Expand local, regional and global market presence

Our credibility in the capital markets remains strong, as evidenced by the continued support by our local and multi-national financiers as well as an increase in our local deposit base.

Having laid the foundation in 2015, we stepped up our efforts towards expanding our local and regional market presence initiatives during the year 2016. This culminated in the establishment of CBZ Risk Advisory Service, the Group's insurance broking unit, whose operationalization coincided with the expansion of our insurance products and services to include employee benefits and pension consultancy. These new products are expected to strengthen our drive to expand our presence into existing and new markets in a different way.

Additionally, the Group recorded tremendous success in the infrastructure and housing market space, with projects such as Victoria Falls launching and selling out during the same year. The Group, through Datvest, completed development of the Intercare Hospital along Baines Avenue, whilst Highlands Clusters and Westgate residential will be ready for the market in the first half of 2017. The Group expects to embark on further developments in Marondera (2 800 low density stands) and Bulawayo (670 medium density stands), during the year 2017.

In terms of our internationalisation strategy we concluded engagements in the UK for the export of our banking and insurance products, in line with the markets scoping that was undertaken in 2015. The targeted products include CBZ Investment Accounts, CBZ Funeral Cash Plan and CBZ Property Insurance. Although rollout was subsequently slowed down by policy changes, we remain confident that we will be able to increase our penetration into the UK market during the year 2017. We also expect to finalise engagements on the South African market during the year 2017.

Meanwhile, significant progress was also made under the regional expansion initiatives, with the Group closing the year at various stages of engagement with potential partners within the SADC region. Successful conclusion of these engagements, which is targeted for 2017, may result in the Group expanding its physical presence outside Zimbabwe.

Under the advisory service drive, we also began remodelling the CBZ Mauritius Global Fund, our anchor for local and regional advisory services opportunities, in line with discoveries we made during engagements with potential investors. We expect this initiative to gain traction during the year 2017 as we build a strong pipeline of investment banking and advisory services mandates and projects.

Improve operational expertise and reduce costs

The Group continued to pursue strategies that aid in improving operational excellence and reducing costs, in line with the changes in the operating environment and the constrained ability to grow the top-line.

In fact, through the financial strategy to Reduce, Re-organise and Optimise (RRO) its cost structures, the Group recorded a 6% decline in operating costs during the year 2016.

Specific initiatives undertaken during the year include;

(i) Renegotiating of suppliers' costs downwards,
(ii) Invested in a major telephone management system that has so far resulted in significant communication costs reduction,
(iii) Rationalisation of branches (merging branches) to gain operational efficiency,
(iv) Revision of the procurement strategy and moving towards "green meetings" to reduce our carbon print.

We remain confident that through the RRO and process optimisation initiatives under BEP, we will be able to attain our long term Cost to Income ratio of 55-60%.

> "The Group recorded a 6% decline in operating costs during the year 2016."

GROUP COMMUNICATION
STATEMENTS

GROUP CHAIRMAN`S STATEMENT

Elliot Mugamu

Introduction

Once again, it gives me great pleasure to present another set of solid financial results for CBZ Holdings Limited for the year ended 31 December 2016. The Group continued to operate profitably, preserving shareholder value in a notably difficult operating environment.

Operating Environment

The Government made another step towards the normalisation of the country's international credit ratings, when it cleared the outstanding arrears to the International Monetary Fund "IMF". Subsequently, the IMF removed the remedial measures that had been applied on Zimbabwe since 2001. However, delays in conclusion of the broader arrears clearance strategy, and adoption of a new economic reform program, resulted in the implementation of short term measures by both the Government and private sector to navigate through the tough economic and business environment. These measures included the introduction of bond notes through an Afreximbank backed US$200 million Export Incentive Scheme, Statutory Instrument "SI" 64 to support local producers and restrictions on some financial transactions, among others.

Money Markets

According to the Reserve Bank of Zimbabwe (RBZ), broad money supply stood at US$5.7 billion in December 2016, up from US$4.8 billion in December 2015. The rise in money supply was driven by increases in demand and savings deposits. Meanwhile, both lending and deposit rates declined marginally over the same period, in line with the new interest rate framework and the subsequent repricing of liabilities by financial institutions.

Property Market

Despite the continued absence of long term and suitably priced funding, the property market was fairly active during the period under review. Activity remained skewed towards housing developments, as both financiers and developers sought to capitalise on the country's housing delivery gap. On the other hand, high voids, rental arrears and falling rental yields were the major downside risks to the real estate market.

Capital Markets

A number of corporate activities and initiatives were noted during the period under review. There was renewed local investor interest in equities during the last quarter of 2016, resulting in both the industrial and mining indices rising by 25.8% and 146.7% to close the year at 144.53 and 58.51, respectively.

However, annual turnover fell by 15.2%, from US$228.63 million in 2015 to US$193.91 million in 2016, reflecting the limited participation by offshore investors. Meanwhile, the Company's share traded in the 10–12c range during the year 2016, below the company's net asset value.

CBZ Holdings Limited Share price & industrial index trend -2016

Overview of the Group's Performance

	Audited Year Ended 31 December 2016 US$m	Audited Year Ended 31 December 2015 US$m
Key Financial Performance Highlights		
Total assets	2 086.6	1 974.4
Total equity and reserves	283.1	261.9
Total deposits	1 777.2	1 684.3
Total advances	1 007.2	1 021.0
Profit before taxation	28.5	40.9
Profit after taxation	23.8	35.2
Total comprehensive income	24.2	35.6
Other statistics		
Growth in deposits (YTD)%	5.5	18.9
Growth in advances (YTD)%	(1.4)	(9.3)
Non- interest income to total income %	43.4	34.3
Growth in PBT (YOY)%	(30.3)	10.5
Growth in PAT (YOY)%	(32.5)	6.7
Basic earnings per share(cents)	4.5	6.5
Cost to income ratio %	69.6	64.7
Return on assets %	1.4	2.2
Return on equity %	8.7	14.3

Governance and Directorate

The Board is responsible for setting the right tone from the top and ensuring that a robust governance structure is in place to enable the business to succeed and deliver long-term sustainable growth. During the year under review we welcomed Tsitsi Mutasa and Gaylord Tafadzwa Nyamayi to the Board. Tsitsi, a Non Independent Non-Executive Director, brings to the Board her extensive experience in Corporate Governance and is a NSSA representative. Gaylord, an Independent Non-Executive Director, is a Chartered Accountant by profession, and brings vast experience in capital markets. We wish them well in their new roles.

Dividend

In line with the Group's dividend growth policy and considering the need for prudent capitalisation and liquidity management, the Board has proposed the declaration of a final dividend of $1 602 155. Having declared an interim dividend of $1 602 155, this translates to an annual dividend of $3 204 310, a 10% growth from the prior year.

Outlook

Significant effort and progress was made by the Government in laying the foundation for a comprehensive economic reform program, including the settlement of overdue obligations to the IMF. Going forward, it therefore remains critical for the authorities to follow through on policy pronouncements made in 2016, including the arrears clearance strategy and the accelerated implementation of key reforms under the Rapid Results Initiative, in order to steer the economy towards a sustainable growth path. Agricultural output is expected to improve, leading to preservation of foreign currency for other critical imports.

Appreciation

My appreciation goes to our valued clients, who have continued to partner with us successfully. I also thank the Group Board, Boards of Group companies, Management and Staff for their continued dedication to the attainment of such remarkable results.

....
Elliot Mugamu
Group Chairman

23 February 2017

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Never Nyemudzo

Introduction

It gives me pleasure to report on the solid performance of CBZ Holdings Limited for the period ended 31 December 2016. The Group achieved another commendable set of financial and strategic results, inspite of the notable challenges in the operating environment. Economic growth in Zimbabwe, our predominant market, was estimated at just 0.6% in 2016, down from a revised 1.1% in 2015. Growth momentum faltered on the back of the adverse effects of a strong currency, whilst economic activity continued to transition from the formal to the informal sector. The Group's solid set of financials, however, continued to affirm its strength and dominance within the Zimbabwean financial services industry.

Strategic Overview

The Group's financial results were solidified by its focus on the strategic road map centred on global reach, tech-driven solutions, innovation, portfolio and earnings diversification, human capital development, liquidity management and cost containment. Through this focused approach, we managed to create value for our shareholders in particular and our stakeholders in general, as follows:

STRATEGIC FOCUS AREA	ACHIEVEMENTS
Expand local, regional and global market presence	During the year 2016, we continued to increase our presence in the infrastructure development and finance market. We launched and sold out the Victoria Falls housing project, completed the Highlands Clusters and Westgate housing projects as well as completed development of the Intercare medical facility in the Baines area. In terms of our global market presence, we concluded engagements for product export into the United Kingdom. Our intention is to step up our penetration in the United Kingdom and other markets with a high number of Zimbabweans during the year 2017. We also expect to conclude assessing the feasibility of having a physical presence in the markets that we identified as having potential, during the year 2017.
Improve operational expertise and reduce costs	Our cost containment initiatives began to bear fruit during the year 2016, with the Group recording a 6% reduction in operating costs. We remain confident of attaining our long term target Cost to Income Ratio of 55-60%, through ongoing initiatives under the Business Efficiency Project "BEP" and the financial strategy to Reduce, Reorient and Optimise costs.
Earnings Diversification	During the last quarter of 2016, we launched CBZ Risk Advisory Services Pvt Limited as the Group's 7th Strategic Business Unit. The entity is wholly owned by CBZ Holdings Limited, it complements the existing business portfolio as well as competes against other brokers in the market. CBZ Risk Advisory Services offers; 1. Short term insurance broking and risk advisory services 2. Group employee benefits and pensions consultancy 3. Individual life financial planning. We remain hopeful that this growth strategy will complement ongoing efforts to diversify the Group's earnings mix towards the long term target split of 80/20 in respect of banking and non-banking units.

Strategic Overview (continued)

STRATEGIC FOCUS AREA	ACHIEVEMENTS
Strengthen Group Synergies and Promote Innovation	The two major innovations that we launched during the year 2016, i.e. CBZ Touch and the Experience Center, together with social media platforms, recorded tremendous uptake and utilisation during the period under review. In fact, in excess of 4 200 customer registrations were recorded on CBZ Touch every month, whilst the Group ranked 6th globally in terms of popularity on social media platforms. Our efforts to strengthen Group synergies continued to be cemented by the ongoing culture change project, which entered Phase 3 during the last quarter of 2016, and the Business Efficiency Project, though which more than 300 processes were redesigned in 2016, whist a number of process enhancements and automations have been lined up for implementation from 2017 in line with our promise to bring convenience to our customers.
Develop Valuable Strategic alliances	In 2016, we both maintained the existing strategic alliances with institutions such as ZADT, CARITAS, SIDA, CARE International, among others, as well as created new alliances with likeminded institutions. In fact, we partnered with the Empowered Life Trust and Star FM to launch the inaugural CBZ Youth Entrepreneurs Program "YEP" during the last quarter of 2016. We believe that the YEP, which we will carry forward into 2017, will both expand the opportunities for youth entrepreneurs as well as create future markets for the CBZ Group.

Group Performance

The table below summarises the performance of the Group and its subsidiaries.

Unit	Total Assets US$m	Net Profit Before Tax US$m	Share holders' Funds US$m
CBZ Bank	1 912.6	20.0	166.6
CBZ Life	19.3	2.6	14.9
CBZ Insurance	12.5	1.2	5.1
CBZ Asset Management	3.0	0.1	2.6
Group (Consolidated)	2 086.6	28.5	283.1

The Group and its subsidiaries continued to post commendable profits in the year 2016. This was achieved through a number of initiatives, including cost containment and promotion of high volumes of transactions across the Group. Synergy benefits were fully exploited to further financial benefits to the Group.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an integral part of the Group's business activities. As CBZ Holdings, our Corporate Social Responsibility activities reflect our on-going commitment to the communities within which we operate. Because of that, we take full responsibility to ensure that all our decisions and actions show transparency and commitment to ethical behaviour. We have embraced CSR approaches that are progressive and consistent with the ISO 26000:2010. In driving the Corporate Social Responsibility agenda, the Group's CSR effort is guided by the seven key pillars of CSR namely: Organisational Governance, Human Rights, Labour Practices, Fair Operating Practices, Consumer issues, The Environment and Community Involvement & Development (also referred to as Corporate Social Investment).

Community involvement

CBZ Holdings Limited (CBZH) is committed to elevating the marginalized in the community. Our focus is to be involved in sustainable initiatives that are community driven. We strongly believe in establishing smart partnerships that are purpose driven, hence in 2016 we established a hashtag #partnershipswithpurpose. The hashtag resonated well with all our community involvement initiatives for 2016.

Our key focus areas in 2016 which aligned to our commitment to channel 1% of our profit after tax to CSR, were:

- Education
- Human Welfare
- Health
- Sporting Excellence
- Youth Entrepreneurship

Governance

The Group recognises the need to conduct its business with integrity and in line with best corporate governance practices.

The Group continues to apply high corporate governance standards aimed at ensuring the ongoing sustainability of the business and the creation of long-term shareholder value. The CBZ Holdings Limited Board is responsible for ensuring that the Group has a clearly defined governance and compliance framework.

Our Staff

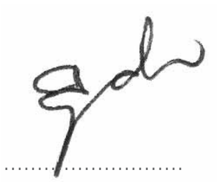
The Group continued to implement programs and initiatives to ensure that its Human Capital Strategy remained aligned to its corporate goals and objectives. A number of programmes aimed at building an internal environment that allows employees to optimize their skills and talents in providing efficient service to our clients were undertaken.

In recognising employees as key stakeholders to the organisational culture, the Group pursued a collaborative approach in putting in place the neccessary infrastructure and system that supports the CBZ Way. In so doing, it empowered its employees, and imparted a sense of belonging, creativity and positive energy. The benefits of these initiatives are already evident, for example the fusion of the innovation culture across the Group.

Various wellness programs and seminars were undertaken to promote the well-being of our staff. Harmonious industrial relations have been key to ensure continuous focus on productivity issues with Works Council and Workers Committee structures providing vibrant channels for communication, collaboration and information sharing and exchange of ideas.

Appreciation

My appreciation goes to our shareholders for their continued support, our valued clients for partnering us in our successes, the Group Board and Subsidiaries Boards for their provision of direction and our valued Staff for their unwavering loyalty.



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N Nyemudzo

Group Chief Executive Officer

23 February 2017

CORPORATE PROFILE

BUSINESS OVERVIEW

Group Overview

Established in 1980, as the Bank of Credit and Commerce Zimbabwe Limited (BCCZ) - a joint venture between the Government of Zimbabwe and the Bank of Credit and Commerce International Holdings Limited (BCCIH) –CBZ Holdings Limited has grown through diversification, organic growth and acquisitions to become a diversified financial services Group.

Group Business Model

Our ultimate intention is to become a client centric business that creates Partners for Success in all the market segments that we operate in. Our diversified business portfolio, which incorporates Banking, Asset management, Properties, Assurance, Insurance and insurance broking, is well supported by a wide range of tailor made financial solutions. Our strategy to invest in Research and Development (R&D), innovation and human capital development, and simultaneously integrate customer input and feedback into the product development processes, ensures that we continuously offer products and services that address and anticipate the unique needs of our customers. Our financial strength and scale of operations, built through years of active participation in financial inclusion, community development and investment in sectors of national strategic importance, enables us to play a bigger role in national development.

We will continue to build a business model that is driven by the “one stop shop” concept, single view of the customer, cross selling, common processes and effective and modern distribution channels. Application of our preferred business model yielded the following outcomes during the year 2016:

- Well capitalised Group and business units.
- Profitable business units.
- Creation of shareholder value through dividend declaration.
- Transformational partnerships in the SMEs and microfinance sector.
- Significant contribution towards financial inclusion, with the banking and insurance units accounting for 13% of the country’s banked population and 5% of the insured population in 2016, respectively.
- Community development as evidenced by the various Corporate Social Responsibility (CSR) initiatives.

Markets Analysis

Our corporate and business strategy is determined by economic trends, demographics, regulatory requirements, shareholder risk preference and social impact. Zimbabwe is our predominant market and the economy is relatively diversified with mining, agriculture, manufacturing and tourism contributing immensely to both growth and foreign currency earnings. In addition to continuously support the national strategic and commercially oriented sectors, we have also designed our financial solutions to suit the requirements of each sector.

The Diaspora community continues to play a significant role in supporting private consumption through remittances. Our product development and distribution channels therefore remained inclined to take advantage of this important market. We closed the year at various stages of engagement with existing remittance partners for product enhancement and new remittance partners for target market broadening. We expect to rollout further initiatives in 2017.

The transition of the economy to the Small to Medium Enterprises “SMEs” also became more evident in 2016. Our response to these transitional opportunities saw the Group’s technical and financial support to the sector reaching US$156 million at the end of 2016.

In recognition of the youths as a significant future market, we stepped up our support to this segment during the year 2016. We organised, ran and hosted the CBZ Youth Entrepreneurs Program “YEP” during the last quarter of 2016, focusing on capacitating and developing our youth entrepreneurs.

Lastly, our digital strategy was well received by the markets, with the game changing CBZ Touch registering record breaking uptake at 4 200 registrations per month. We will continue to invest in tech driven solutions in line with the increasing dominance of technology in our customers’ everyday lives.

GROUP STRUCTURE

CBZ HOLDINGS LIMITED

CBZ Holdings Limited is a diversified financial services Group, listed on the Zimbabwe Stock Exchange (ZSE) with operations throughout Zimbabwe and employing 1 344 staff. The Group has subsidiaries in Banking, Insurance (long and short term), Asset Management and Risk Advisory. In addition, the Group has a significant property portfolio managed by its subsidiary, CBZ Properties (Private) Limited.

CBZ BANK LIMITED
100%
Commercial banking and mortgage financing

CBZ LIFE LIMITED
100%
Long term insurance

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

CBZ INSURANCE (PRIVATE) LIMITED
89.37%
Short term insurance

CBZ ASSET MANAGEMENT MAURITIUS
100%
Fund management and advisory services

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

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

OUR SUCCESS

The Group received the following accolades during the year 2016.

	1st Prize Best Banking Governance Practices - Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	1st Prize Best Banking Risk Management Practices - Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	1st Prize Best Banking Internal Audit Disclosures - Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	1st Prize Overall: Best Banking Corporate Governance Practices - Institute of Chartered Secretaries and Administrators in Zimbabwe. (ICSAZ)
	1st Prize Shareholder Treatment - Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	3rd Prize Stakeholder Practices & Sustainability Reporting - Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	2rd Prize Board Practices – Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	2nd Prize Overall: Best Corporate Governance Practices - Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)
	Best Socially Responsible Organisation for 2016, Southern Region *(Awarded by Megafest),*

STAKEHOLDER OVERVIEW

SHAREHOLDERS	CLIENTS	STAFF	REGULATORS AND GOVERNMENT	COMMUNITIES
OUR PROMISE	OUR PROMISE	OUR PROMISE	OUR PROFILE	OUR PROMISE
“To deliver value to our investors through consistent, timely and accurate information complimented by growth in value through positive financial and non-financial growth”	“To develop a mutually beneficial relationship with our clients by listening and understanding their needs in order to provide them with a range of financial solutions that exceed their expectations”	“To attract, develop and retain key talent for growth and sustainability of our business operations while creating adequate human capital for future business needs”	“To ensure compliance with statutory requirements through open, honest and transparent relationships. To minimise operational risk and participate in the development of the markets we operate in and the economy as a whole”	“To obtain information from our communities in order to create mutually beneficial and sustainable initiatives to improve and develop the lives and the environment of our communities”
RESULTS	RESULTS	RESULTS	RESULTS	RESULTS
• Held various local and International investor Meetings. • All subsidiaries rated BBB+ or better. • Growth in dividend cover from 7.4 times to 12.1 times. • Recorded a 8.1% increase in shareholders’ funds.	• Launched CBZ Touch, the country’s first and only integrated mobile app. • Launched the CBZ Youth Entrepreneurs Program “YEP” in support of youth entrepreneurs. • Launched Safe Custody services for the secure storage of our customers vital documents and assets. • Upgraded our Visa Cards to Chip & PIN in order to provide more secure transacting for our customers. • Rewarded our customers through the CBZ Rewards program during the last quarter of 2016.	• About 70% of staff attended various relevant skills enhancement training courses and programs. • About 183 staff members were availed educational assistance for self- development to enhance their skills and contribution to the Group. • High staff retention underpinned by strong Industrial relations with a staff turnover rate of 2.68%. • Over 150 Innovative ideas/ suggestions contributed by staff towards products and service improvement.	• 1st Prize Overall: Best Banking Corporate Governance Practices - ICSAZ. • 1st Prize Shareholder Treatment - ICSAZ. • Continued support to Regulators and Government through proactive engagement and contribution to regulatory and policy framework. • Refer to page 22 for more information.	• A total of 100 university students were offered industrial attachment within the Group during 2016. • Two boreholes were sunk in vulnerable communities that had no access to clean water. • Various schools in Chitungwiza and Chipinge received sports kits. • Continued investment in young entrepreneurs through the launch of the CBZ Youth Entrepreneurship Programme (YEP) . • Details of our impact on the communities are in the CSR report (see page 42).

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

SHARE BUYBACK

At the 2013 Annual General Meeting, a Special Resolution was passed which authorised the Directors of CBZ Holdings Limited to buy back the Company's shares, and this mandate was further extended at the Company's AGM held on 30 April 2014. The authority to purchase the Company's own shares was granted in terms of Article 11(b) of the Company's Articles and subject to sections 78 to 79 of the Companies Act [Chapter 24:03].

The decision to buy back the Company's own shares was necessitated by the need to enhance shareholder's value through reducing administrative and transaction costs. An analysis of the Group's Share Register revealed that 93.23% of the aggregate issued shares are held by the top 56 shareholders whilst the remaining balance are held by 10 865 shareholders. This has resulted in limited value for the minority shareholders due to associated administrative costs.

Rationale

The Share Buyback was mooted with the following objectives in mind:

- The need to contain the share register maintenance costs, which costs are related to the size of the share register in order to create value for the minority shareholders.
- To address logistical challenges encountered during the payment of dividends as well as those faced by the minority shareholders on the receipt of the dividend pay outs.
- To save shareholders on transaction costs so that they can maximise on the benefit.

Results

During the year ended 31 December 2016, the Group acquired 7 487 161 shares for treasury purposes. The Group held a total of 168 981 847 treasury shares as at 31 December 2016.

SHARE OPTION SCHEME

In a bid to empower staff, the Group launched a share option scheme on 1 June 2012. Employees were allocated share options, with the first batch for those with three or more years in service vesting on 1 July 2013. The table below shows the scheme's statistics as at 31 December 2016.

Description	Number
Total shares in scheme	40 000 000
Number of options accepted	32 345 000
Number of shares paid for to date	2 668 408
Number of shares paid for during the year	59 797
Total amount received during the year	US$5 269
Shares bought as % to date	6.67%

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

ANALYSIS OF SHAREHOLDERS

Size of Shareholding	No. of Holders	% of Total Holders	No of Shares	% of Total Shares
1 - 5 000	9 815	89.87	7 717 298	1.12
5 001 - 10 000	455	4.17	3 314 356	0.48
10 001 - 25 000	341	3.12	5 368 940	0.78
25 001 - 100 000	164	1.50	8 195 480	1.19
100 001 - 200 000	35	0.32	4 894 765	0.71
200 001 - 500 000	55	0.50	17 025 277	2.48
500 001 and over	56	0.52	640 312 624	93.24
TOTAL	**10 921**	**100.00**	**686 828 740**	**100.00**

ANALYSIS BY SHAREHOLDER TYPE

Category	No. of Holders	% of Total Holders	No of Shares	% of Total Shares
Individuals	10 373	94.98	23 351 947	3.40
Companies	339	3.10	297 177 475	43.27
Non Resident Transferable	12	0.11	144 066 072	20.98
Pension Funds	125	1.14	124 152 835	18.08
Directors	4	0.04	409 396	0.06
Nominee Company	18	0.16	69 362 159	10.10
Investment Trust and Property Companies	33	0.30	4 273 972	0.62
Insurance Companies	17	0.17	24 034 884	3.49
TOTAL	**10 921**	**100.00**	**686 828 740**	**100.00**

TOP TEN SHAREHOLDERS AS AT 31 DECEMBER 2016

Shareholder's name	No of Shares	Shareholding %
CBZ HOLDINGS LIMITED	168 981 847	24.60
GOVERNMENT OF ZIMBABWE	110 000 000	16.02
LIBYAN FOREIGN BANK (NEW NON RESIDENT)	96 609 470	14.07
NATIONAL SOCIAL SECURITY AUTHORITY	73 768 563	10.74
PIM NOMINEES (PVT) LTD	46 000 000	6.70
OLD MUTUAL LIFE ASS CO ZIM LTD	21 738 443	3.17
PIM NOMINEES - NNR	21 280 339	3.10
KROHNE FUND.LP	12 594 357	1.83
STANBIC NOMINEES 108092505	10 515 453	1.53
STANBIC NOMINEES 130043040031	9 913 533	1.44
Total	**571 402 005**	**83.20**
Others	**115 426 735**	**16.80**
Total	**686 828 740**	**100.00**

SHAREHOLDER'S CALENDAR

Financial year end	31 December 2017

ANTICIPATED DATES

Half year's results to 30 June 2017	August 2017
Full year's results to 31 December 2017	February 2018
Annual Report and Annual General Meeting	April 2018

SUBSIDIARIES COMMUNICATION STATEMENTS

CBZ BANK LIMITED

MANAGING DIRECTOR'S REPORT

Peter Zimunya

Introduction

CBZ Bank maintained its position as the biggest Bank in the market in terms of deposits, total assets and advances market share. The Bank recorded commendable growth in total assets and deposits during the period under review. This was achieved despite the continued deterioration in the operating environment.

Financial Performance

Total assets grew by 5.4% from $1.8 billion to $1.9 billion as at 31 December 2016. The growth in total assets was driven by a 5.0% growth in deposits from $1.65 billion to $1.73 billion during the same period. The Bank's gross advances declined by 2.43% from $953 million to $930 million, as the Bank sought to enhance the quality of its earnings and assets. The improvement in asset quality and asset mix resulted in a commendable decrease in the charge for bad debts by 11.2% from $22.1 million in 2015 to $19.6 million in 2016 and a marginal decrease in the non-performing loans ratio from 7.7% to 7.3%.

The Bank's continued emphasis on cost reduction and containment strategies have begun to bear fruit with operating expenditure declining by 8.8% from $86.2 million in 2015 to $78.6 million for the year 2016. Despite the current harsh economic environment and resultant reduced margins in interest rates and transactional charges exerting adverse pressure on the Bank's revenue generation capacity, the Bank's investment in new channels with low cost products minimised the ultimate decline in total revenue from $139.7 million in year 2015 to $118.3 million in the year 2016. The Bank's profitability fell by 28.6% from $26.2 million to $18.7 million, in line with the decline in total revenue.

DIVISIONAL PERFORMANCE

Retail

The number of banking transactions increased by 85% from 15.2 million in year 2015 to 28.0 million in year 2016. The Bank also witnessed a 51% increase in the number of clients from 243,593 in 2015 to 367,029 in 2016 representing 15% of the country's total banked population. This is testimony of the continued confidence that the banking public has in the Bank. Uptake of the Bank's mobile app, CBZ Touch, continued to increase with total active users standing at a healthy 225 000 since the launch in April 2016.

CBZ Custodial Services

The portfolio grew by 59% from $191 million at the end of 2015 to $304 million by the end of 2016. Income grew by 48% during the same period. Going forward, one of the key strategic objectives for the Division is to penetrate the regional market. Further, there is also scope to grow the business through targeting local pension funds and forming strategic alliances with the Group's other SBUs such as Mortgage Finance,

CBZ Custodial Services (continued)

Properties, Insurance, Risk Advisory and Asset Management. Product development and enhancement remain key in order for customers to enjoy the CBZ One stop shop model.

Credit Administration and Corporate Banking

The Bank remained the market leader in terms of advances market share, but had to exercise restraint in growth of the advances portfolio given the liquidity crunch and the harsh economic environment that prevailed in the year 2016. The Bank, however, continued to support the productive sectors such as agriculture, manufacturing and mining, in order to stimulate economic activity in the country and also promote exports. Some slow moving and non-performing credit exposures were also transferred to Zimbabwe Asset Management Corporation, for rehabilitation under extended loan tenures.

Agribusiness Division

The Division managed to decentralise staff to all provinces in the country, thereby making credit delivery and advisory services to farmers readily available. Going forward, monitoring of financed projects will be intensified to offer farmers with timely interventions and reduce the probability of loan defaults.

Home Loans Division

CBZ Bank has been actively participating in the development of low-cost housing; in support of the key area of the Government's 5 year developmental framework, ZIMASSET (Zimbabwe Agenda for Sustainable Socio-Economic Transformation); that identified a deficit of 1.2 million housing units in the economy. During the period under review the Bank successfully commenced the development and sale of the Victoria Falls housing scheme with a total of 1 309 stands.

Performance Awards

During the year 2016 the Bank received various awards in recognition of the role it continues to play in enhancing access to financial services and pursuit of its vision of being the preferred provider of financial solutions in Zimbabwe with a global reach. The Bank received a number of awards during the year which are listed on page 22.

Compliance and Risk Management

The Bank continues to balance the need to enhance profitability and risk management. Consequently, the Bank has already complied with the minimum regulatory capital threshold for Tier 1 Banks of $100 million required by the year 2020. The regulatory capital for the Bank stood at $154 million as at 31 December 2016. Further, the Bank had a capital adequacy ratio of 22.3% versus the 12% required by the Central Bank. The Bank's liquidity ratio was a healthy 76.7% versus the minimum regulated ratio of 30%.

Credit Rating

The Bank maintained its strong long term credit rating of A and short term rating of A1. The Bank is rated by the Global Credit Rating Company of South Africa.

Outlook

The economic environment is expected to remain challenging. However, the Bank will seek to identify and exploit niche areas, supported by its customer base and technologies to enhance transactional banking and non-interest income. Further, the Bank will continue to unlock value from its land bank and portfolio of financial securities.

Appreciation

Finally, I would like to extend my appreciation to our key stakeholders, including but not limited to our clients, regulators, the Board, Management, the Shareholder and staff for their support during the year 2016.

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Peter Zimunya
Managing Director

23 February 2017

CBZ ASSET MANAGEMENT T/A DATVEST

MANAGING DIRECTOR'S REPORT

Jack Smith

Introduction

The operating environment in 2016 continued to deteriorate as the country's economic growth slowed down significantly. It is pleasing to note that in spite of this the Company performance remained positive. The operating environment in 2016 was characterized by a number of key factors.

Environment

The political environment in the country continued to evolve in 2016. It was apparent however, that the challenges facing the Government were carried forward and as the year drew to a close, the country was still facing acute liquidity levels and low foreign investment levels. Government revenues also continued to fall with civil servant bonuses remaining largely outstanding by the end of the year. This was indicative of what was occurring in the wider economy, which continued to deteriorate. It would seem at this stage that investor sentiment towards the country remains largely negative.

The country continued to experience deflation with the official year on year deflation as at the end of 2016 being projected at just under one percent at (0.93%). Deflation in this instance was symptomatic of a deeper problem. A significant cause behind this deflation was the overall low liquidity levels within the economy, which were symptomatic of a slow down in economic activity. This liquidity shortage affected the public and private sectors alike. Aggregate demand levels were clearly falling and in the absence of some sort of intervention it is likely that this will continue.

Markets

The Capital Markets returned mixed performances during 2016. The stock market was extremely volatile during the year with significant losses being experienced during the first nine months of 2016 which were then totally erased in the last quarter as the market experienced a recovery. The industrial index rose by twenty five percent (25.84%) for the twelve months ended 31 December 2016. There are key elements to this volatility that must be highlighted.

Firstly it appears that the fall was driven by the difficulty experienced in remitting foreign investment income outside the country. Secondly the introduction of the bond notes into circulation drove some investors out of the money market into the stock market. This movement in the equity markets positively influenced the performance of funds under management. The Fixed Income market experienced significant reductions in the general level of interest rates, which fell to levels below 5% for most of the Company's counterparties.

Finances

The Company's funds under management rose during the year from $131.3 million to $ 147.6 million. This represented an increase of 18%, which was commendable under the circumstances. Consequently, a total of US$1.9 million in fees was earned by the Company in 2016. This represented an increase of two percent from the prior year and reflected how growth in funds under management was offset by declining fee rates.

Additionally a significant portion of the growth in funds under management happened in the last quarter of the year depriving the Company of the full benefit of this movement on its fees. The Company's proprietary investments also delivered a reasonable performance in 2016 with an amount of US$126 503 being earned during the year. A drop in investment rates of about 44% and a negative fair value adjustment with respect to the Company's property investments of 11% all contributed to investment income falling by about 34% when compared to the prior year. Alternative Investment income which is a new area of income for the Company grew to 14% of Fee and Commission income. This demonstrates that the Company's efforts to diversify income streams are starting to bear fruit.

The Company's cost containment efforts continue to meet with success where through a raft of measures the Company was able to contain its costs at US$2 million. This represents a 4% increase in costs from the prior year but when viewed against the transfer pricing adjustments made by the Company in 2016 this figure is truly commendable. Consequently, the Company achieved a profit before taxation of US$137 905. This compared favorably with the Company's budget.

Cost containment will continue to be a key goal in the year ahead and the management team is already in the process of putting in place measures to more closely monitor and control the company's cost base. The Company's capital position remains strong with total equity of over $2.6 million against the required Capital of US$500 000.

Clients

The Company's client base was largely stable during 2016 and grew significantly during the last quarter of 2016 due to the significant positive performance on the investment markets. The Company's portfolios performed relatively well during the year returning a performance of 18.0%. This compared favorably with the industrial index benchmark of 25.84%.

The Company's investment philosophy is premised on delivering positive investment performance on a rolling three-year period and to remain in the upper quartile of performance during such periods. We believe that this allows portfolio decision making to be done with a long-term view and thus not be distorted by short-term volatility. Our client portfolios have achieved a performance of 231.44% during the 93 months since dollarization allowing us to remain in the upper quartile of investment performance for this period.

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

Systems

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

The Company's two Board committees;- the Investment and Risk Management Committee and the Audit Committee have played a vital moderating role in ensuring our overall systems are compliant in all respects. Audits carried during the year confirmed that the Company's systems remain robust and compliant with regulations.

Outlook

The Company returned a strong performance for 2016 under the circumstances. This performance hinged on a disciplined approach to the Company's key strategic objectives as well as a recognition of the importance of our clients to us. As such all key actions carried out during the year were aimed at delivering strong returns to our clients whilst ensuring risk was kept to appropriate levels. This is a delicate balancing act at the best of times but one, which we are confident we fully understand. The Company is optimistic about the year ahead and will continue to safeguard and build on those funds placed with us. The same matters raised in my introduction will continue to be topical and therefore affect the investment climate as before. Our goal is to ensure that our clients' portfolios continue to show real growth in 2017.

Appreciation

I would like to take this opportunity to thank the Board of Directors who have been very supportive of all our initiatives in 2016 and have given the Company direction in these turbulent times, our staff who have toiled endlessly through the year showing tremendous loyalty and belief in the Company and last but not least our clients who have allowed us the great privilege of participating in the management of their wealth.

I am confident that the company is firmly moving forward and will continue to do so in 2017.

Jack Smith
Managing Director

23 February 2017

CBZ INSURANCE OPERATIONS

MANAGING DIRECTOR`S REPORT

Norbet Mureriwa

Introduction

I am delighted to report yet another good performance from CBZ Group Insurance Operations for the year ended 31 December 2016. The Life and Non-Life Insurance subsidiaries continued to contribute positively to the financial fortunes of the Group by remaining profitable during the year under review.

Operating Environment and Market Analysis

Economic performance remained low, characterised by weak domestic demand, tight liquidity and declining disposable incomes. The subdued performance of Government revenue against the background of high recurrent expenditures continued to constrain the fiscal space. Despite the foregoing, Government anticipated that the expansion of the tourism, construction and financial service sectors would drive the Gross Domestic Product upwards in 2016 by a projected 1.6%.

The Short Term Insurance industry's Gross Written Premium increased by 1.2% from $213.44 million in 2015 to $215.97 million in 2016. On the other hand, the Life Insurance industry's Gross Written Premium increased by 4% in 2016 to close the year at US$346.6 million. CBZ Insurance (Private) Limited accounted for 4.7% of the Short Term Insurance industry's Gross Written Premium whilst CBZ Life (Private) Limited controlled 3% of the Life Insurance industry's Gross Written Premium.

Business Operations

The Insurance Operations business segment continued to exploit the available synergies within the wider CBZ Group as a source of income, operational and cost efficiencies. The continuous diversification and rejuvenation of product lines helped cushion the impact of the operating environment by remaining attractive and affordable to clients.

Financial Performance Highlights

CBZ Insurance (Private) Limited

Performance indicator	2016	2015	Change
Gross Written Premium Income	$10.220 million	$9.590 million	Up
Net Claims incurred	$2.414 million	$1.877 million	Up
Profit After Tax	$0.914 million	$1.149 million	Down

The Company reported profit after tax of $914 941 for the year ended 31 December 2016. The profit attained was underpinned by increase in Gross Premium Income which grew by 7% during the year under review. Premium retention increased by 3 percentage points to 54% during the period although claims grew by 29% from the prior year. The Private Limited Company remained well capitalised with equity closing the period at US$5.1 million.

CBZ Life Private Limited

Performance indicator	2016	2015	Change
Gross Written Premium Income	$9.56 million	$13.21 million	
Net Claims incurred	$3.22 million	$2.83 million	
Profit After Tax	$2.60 million	$4.49 million	

The reduction in Gross Premium income negatively affected the unit's profitability as profit after tax for the year amounted to $2.6 million, a 42% decline from prior year. Risk management and cost containment were pivotal in mitigating the effects of the environment. The Company's equity closed the period at US$19.3 million.

Strategic Thrust of Insurance Operations

The business continued to expand, especially in the informal sectors of the economy. In this regard and in anticipation of future business growth the Company made significant progress in expanding its delivery channels to tap into identified geographical, demographical and economic spheres. The strategies undertaken in 2016 positioned the bussiness for continued growth in both market share and profitability.

Overall, the Company has become stronger, more efficient and sustainable, with increased business underwriting capacity.

Insurance broking

The year saw the birth of CBZ Risk Advisory Services, an insurance broker. The unit is an independent broking firm, wholly owned by CBZ Holdings Limited. As at 31 December 2016, the unit was awaiting the Insurance and Pensions Commission (IPEC) approval which was subsequently granted post the reporting date.

Information technology

We continuously seek relevant technology that improves productivity and efficiency in line with our strategy to improve overall customer experience. Enhancements and reviews to appropriateness of current systems were undertaken during the year to ensure that the Company remains technologically sound.

Credit rating

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

- **CBZ Insurance Private Limited**

  Upgraded the national scale claims paying ability rating assigned to BBB+ (ZW) from BBB (ZW), with the outlook accorded as Stable. The rating indicates a continuous improvement in the company's claims paying ability.

- **CBZ Life Private Limited**

  Awarded the rating of Financial Strength Rating of BBB+, with a stable outlook indicating that the entity has strong financial security characteristics.

Customer focus

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

Outlook

We continue to look for ways to simplify the organization so as to enhance the speed of executing our service to our valued customers. Product development and quality of service will continue to be key drivers of our performance for the operations. Strengthening of the selective underwriting business philosophy will also guide our risk management principles in doing business.

Appreciation

My appreciation goes to our valued clients for their continued support and for partnering with us in our joint successes.

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

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

....

N. Mureriwa
Managing Director

23 February 2017

CBZ INSURANCE (PRIVATE) LIMITED
ACTUARY REPORT
as at 31 December 2016

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

I, James Olubayi, of Atchison Actuarial Services (Private) Limited, acting as the Appointed Actuary, Certify that, as at 31 December 2016, this Actuarial Valuation for CBZ Insurance Limited has been prepared in accordance with the Guidelines to the Insurance Industry on Actuarial Valuations issued by the Insurance and Pensions Commission in Zimbabwe, as well as generally accepted actuarial principles.

I further certify that, as at 31 December 2016, CBZ Insurance Limited:

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

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

23 February 2017

CBZ LIFE LIMITED
ACTUARY REPOR T
as at 31 December 2016

STATUTORY INSTRUMENT 183 OF 2009

INSURANCE (AMENDMENT) REGULATIONS, 2009 (No. 14)

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

The following table shows the results of the actuarial valuation of CBZ Life on the published reporting basis in respect of the year ended 31 December 2016.

	31 Dec 16 US$	31 Dec 15 US$
Total Assets	19 319 992	17 237 722
Current and other liabilities	(1 103 782)	(310 296)
Policyholder liabilities	(1 844 992)	(3 360 688)
Investment Contracts	(1 517 121)	(1 314 713)
Excess Assets	**14 854 097**	**12 252 025**

The following table shows the results of the actuarial valuation of CBZ Life on the statutory reporting basis in respect of the year ended 31 December 2016.

	31 Dec 16 US$	31 Dec 15 US$
Total Assets (see note)	18 508 019	16 339 645
Current and other liabilities	(1 103 782)	(310 296)
Policyholder liabilities	(1 844 992)	(3 360 688)
Investment Contracts	(1 517 121)	(1 314 713)
Excess Assets	**14 042 124**	**11 353 948**
Minimum Capital Requirement	**5 000 000**	**2 000 000**
Cover ratio	2.81	5.68

Reconciliation of Excess Assets	31 Dec 16 US$	31 Dec 15 US$
Excess Assets per Published Accounts	14 854 097	12 252 025
Less Motor vehicles and Equipment	(251 231)	(287 826)
Less Intangible Assets	(557 565)	(610 251)
Less Inter-company Receivables	(3 176)	-
Excess Asset per Statutory Valuation	**14 042 124**	**11 353 948**

Note: CBZ Life does not yet fully comply with IPEC Investment Guidelines - Circulars 1 of 2013 and 2016. CBZ Life currently exceeds the Guidelines in respect of excess investments in money market instruments and in its associate companies. CBZ Life has made significant progress towards compliance and is in discussions with IPEC in order to fully comply by 31 December 2017.

I hereby certify that, to the best of my knowledge and belief, at 31 December 2016, the value of the assets in respect of all classes of life business carried out by CBZ Life Limited exceeded the amount of liabilities in respect of those classes of insurance by more than USD $5 000,000.

J Bagg.

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

In my capacity as:
ACTUARY TO CBZ Life Limited
23 February 2017

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

CBZ Holdings Limited and its Subsidiaries take a holistic approach towards Corporate Social Responsibility (CSR) in its business activities to ensure a positive impact on its various stakeholders. The Group has adopted CSR policies and initiatives that are consistent with the standards that are espoused in ISO 26000:2010.

In driving the Corporate Social Responsibility initiatives as per its custom the Group's CSR efforts are premised on the seven key pillars of CSR namely: Organizational Governance, Human Rights, Labour Practices, Fair Operating Practices, Consumer Issues, The Environment and Community Involvement & Development (also referred to as Corporate Social Investment). The Group continues to monitor global developments to stay abreast of changes that occur from time to time.

OUR ENVIRONMENTAL RESPONSIBILITY

CBZ Holdings remains cognisant of the impact of its operations on the environment. Our operations are closely scrutinized to strict monitoring of:

- Utilisation of Resources
- Location of our activities
- Waste management
- Impact of our activities on natural habitats

Housing Projects

CBZ Holdings has been actively participating in the development of low-cost housing; a key area of the Government's 5 year developmental framework, ZIMASSET (Zimbabwe Agenda for Sustainable Socio-Economic Transformation); that identified a deficit of 1.2 million housing units countrywide. CBZ is developing housing units and serviced stands and to date has housing developments in Gweru, Mutare, Marondera, Victoria Falls and Kwekwe. Environmental Impact assessments are carried out before these projects commence and certification is sought and granted by the Environment Management Authority (EMA).

Reducing Environmental Impact

In 2016 CBZ Holdings continued with its thrust to scale up efforts to protect the environment through the introduction of innovative delivery channels for our services. Following the 2015 launch of the CBZ Agency Banking Model which saw us taking financial services to retail outlets; driven largely Point of Sale and Laptop solutions. The Group launched its game changing mobile application CBZ Touch which has gone a long way in growing digital transactions.

CBZ Touch is an integrated mobile banking app from CBZ Holdings where banking, insurance and wealth management converge and transform financial services into a lifestyle. It gives clients unprecedented control and security over their transactions by letting them decide how, where and when to transact, e.g. at home, from the farm, at church, at college, at the market place, from the Diaspora or on the go.

CBZ Bank branch staff continued to take part in various clean up campaigns around the country to deal with the scourge of littering in the respective areas.

YOUTH ENTREPRENEURSHIP

In 2016, CBZ Holdings Limited launched a program titled Youth Entrepreneurs Program (YEP) in partnership with Empowered Life Trust. The Youth Entrepreneurs program (YEP), is a practical and results-based initiative to produce growth-oriented (not survivalist) profitable businesses that are run professionally by youth (18-30 years of age) from all the 10 Provinces in Zimbabwe.

The first component of the program involved visits to all the 10 provinces of Zimbabwe to deliver "General Public Motivational Sessions". These workshops were open to the general public in each of the 10 Provinces despite age, who felt they needed to be ignited, motivated or given a "kick-start" in their lives by the end of the training sessions over 1,200 young people were trained and motivated.

The "Introduction to Entrepreneurship" workshops (YEP workshops) were attended by selected youths who were selected from the received applications. At least 100 participants per province attended each workshop in each province during the first phase. The workshop focused on exposure to business ventures, networking, and learning. The participants were exposed to the essentials of business development; networked with like-minded participants; and learned about self-reliance and sustainability during a day-long event.

10 participants were then selected to proceed to the second phase of the program. The participants received extensive one on one practical business skills training which included formalising their initiatives. The training was facilitated via multiple channels and the participants received follow-up coaching via electronic channels (whatsapp and email). Regional workshops were conducted, with the country divided into two regions i.e. Southern and Northern. The other participants who did not make it into the top 10 continued to receive follow-up coaching via electronic channels (whatsapp and email) too.

The youth entreprenuers pose for a photo after a training workshop.

CBZ Management pose for a photo with the YEP finalists.

Head office staff clean up Harare CBD

ETHICAL RESPONSIBILITY

CBZ Holdings continued to seamlessly integrate Corporate Governance practices into its operations. Our efforts did not go unnoticed at the country's highly acclaimed Corporate Governance awards, the Institute of Chartered Secretaries of Zimbabwe (ICSAZ) recognized CBZ Holdings through a number of awards listed on page 22.

STAFF VOLUNTEERING

CBZ Holdings has a strong culture of staff volunteering, with staff members contributing many hours of volunteering in their respective communities as well as providing resources to assist the needy. Our geographical spread has enabled us to reach many communities around Zimbabwe. Various branches and Head Office departments engaged different communities around the country and provided financial and material support for the institutions.

Harare head office

CBZ Holdings staff set aside Saturday the 20th of August 2016 as the day to do Corporate Social Initiative Clean-up Campaign of Harare Central Business District (CBD).

Kwekwe Branch

CBZ Kwekwe Branch visited Mbuya Saunyama Children`s Home in Mbizo, Kwekwe with groceries. They also managed to spend time playing games with the children at the home.

Highfield Branch

CBZ Highfield Branch team visited Philadelphia feeding programme home in Hatfield. Philadelphia feeding program is a brain child of Pastor & Mrs Mutatu of The Church of the Nazarene. The team took time to donate groceries to the home and interact with the children.

Borrowdale Branch

CBZ Borrowdale Branch team took time off to give back to the community by donating to Chibvuti School, in Domboshava. Located 40 km from the branch, the school was once a farm-owned school and is now being run by the local council.

Mutare Branch

CBZ Mutare Branch visited Simukai Child Protection Programme in Mutare and donated groceries during their CSR initiative. Items donated included cartons of basic foodstuffs such as Cooking Oil, Rice, Sugar, Salt, Flour, PeanutButter as well as basic household sundry items such as Bath soaps, Laundry soaps, Toilet Cleaners, Toothpaste, Washing powder, Towels, Floor polish and Dish washing liquid.

CIVIC RESPONSIBILITY-COMMUNITY INVOLVEMENT

CBZ Holdings (CBZH) is committed elevating the marginalized in the community. Our focus is to be involved in sustainable initiatives that are community driven. We strongly believe in establishing smart partnerships that are purpose driven, hence in 2016 we developed a hashtag #partnershipswithpurpose. The hashtag resonated in all our community involvement initiatives for 2016. Our key focus areas were the following:

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

EDUCATION

Justin Chauke Secondary School

CBZ Holdings remains committed to assisting in the development of infrastructure that will increase access to education for marginalized communities. In 2016, The Group availed resources that enabled the construction and furnishing of a classroom block at Justin Chauke Secondary School in Chikombedzi, Chiredzi situated in south east Zimbabwe. The block consists of 3 classrooms. Prior to CBZ intervening the students used to conduct lessons under trees.

Tariro Trust

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

As part of our efforts to promote academic excellence in the country we donated floating trophies & shields as well as book prizes to over 200 primary, secondary, colleges and universities. These were availed to students who excelled in various exams right across the country.

CBZ staff pose with children at Mbuya Saunyama children's Home.

CBZ staff present groceries at Philadelphia in Highfield.

Staff and students break into song and dance at the handover of new block at Justin Chauke Secondary school in Chiredzi.

The handover of the donation to Tariro Trust.

The hand over of a 10kv generator to Tose Respite Care Home.

The hand over of a 10kv generator to Tose Respite Care Home

HUMAN WELFARE

In line with our strategic thrust of partnering reputable community based organizations CBZ partnered Tose Respite Care Home through the donation of a 10KV generator. The home caters for children living with extreme physical disabilities. The 10KV generator was earmarked to help kick start a poultry project at the centre as well as ensure availability of regular, clean water by powering the borehole and providing the hydro therapy pool with energy for physiotherapy purposes.

HEALTH

Provision of safe and clean drinking water is a key element towards curbing the rampant spread of epidemic diseases like Typhoid and Cholera. In 2016 CBZ Holdings identified two vulnerable communities in the mining towns of the country, namely Alaska Mine and Glendow in Mhangura. Resources were availed to sink 2 community boreholes in the respective communities. This brought much relief to the members of the community.

SPORTING EXCELLENCE

One of our key focus areas is promoting sporting excellence in Zimbabwe. This stems from our firm belief in nurturing the abundant talent that exists across the country. In 2016 CBZ availed sporting kits to teams based in Chitungwiza and Chipinge in line with our thrust to spread our initiatives in both rural and urban areas.

CBZH displayed the brand's support for aspiring young individuals in the community by handing over a $3800 cheque to football player Munashe Gatsi, of Global Sport Africa. Prior to this, Munashe had expressed his determination to attend this opportunity, though his financial disposition was not permitting. Through a media call, he appealed to corporates and individuals to assist his dream to become a reality. Munashe Gatsi's dreams turned into reality on the 19th of September 2016 at Celebration Centre Harare when he was handed over the cheque by CBZ Holdings..

COMMUNICATION ON SOCIAL RESPONSIBILITY

CBZ Holdings has a clearly defined Corporate Social Responsibility policy which was signed off by the Group Executive Committee and communicated to all staff members. The policy together with other Group policies are uploaded on the Group's Intranet platform which is accessible to all staff members. Our Corporate Social Investment (CSI) focus areas and initiatives are uploaded on our website.

The policy clearly spells out the role of staff members in community involvement through staff volunteering. The Group has taken advantage of its wide geographical footprint in Zimbabwe to roll our staff volunteering initiatives. All the activities are documented by the CSI champions in the branches and head office units and are circulated to all the team members via email and subsequently posted on our website for external stakeholders.

Editorials are also prepared and published in the paper with the largest circulation. In 2016 editorials on our Health and philanthropic initiatives were published.

Social Media

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

- Facebook
- Twitter
- You Tube

Radio

Our CSR initiatives received extensive coverage through our sponsored programs on radio as well as news items across various stations.

Chipinge Community Cup – 2016 and Seke 1 High School new kits.

Community boreholes sunk in Alaska Mine Chinhoyi.

The Group CEO handing over a cheque to Munashe Gatsi.

CBZ staff handover medical suppliers at Chirundu Hospital.

GROUP HUMAN RESOURCES

Introduction

The Group continued to implement programs and initiatives to ensure that its Human Capital Strategy remains aligned and flexible enough to support delivery of its corporate goals and objectives. This approach is imperative given the need to proactively provide customer related solutions in an evolving business environment.

During the year under review the Group undertook a number of programmes aimed at building an internal environment that allows employees to optimize their skills and talents in providing efficient service to our clients.

Culture Change Project

The Group embarked on a Culture change project aimed at creating a culture that supports our Corporate Strategy. The project involved all employees attending workshops that identified the desired behaviours in line with the Group's core values and then crafting interventions to align employee behaviours to the core values. The Group has started to reap the rewards of this investment with the number of innovative ideas/ suggestions from employees increasing to more than 150 during the year. The project has also resulted in staff taking more ownership of other Group initiatives aimed at bringing customer convenience and speed of execution.

Business Efficiency Project

The Group also undertook a Business Efficiency Project aimed at enhancing operational efficiencies to bring about customer convenience and speed of execution through people and technology. The main focus areas of the project were; Functional Analysis, Review and Re-engineering of processes with emphasis on leveraging technology, and reviewing of structures to align with processes. The project, which is still on-going, has resulted in the implementation of quick wins in some operational areas.

Performance Management

The Group reviewed its Performance Management Policy, Appraisal Processes and Tools for better alignment to Corporate and SBUs strategies. The year ahead will focus on cascading of strategy to all staff within the various Units so as to guide performance expectations and to ensure continuous focus on key deliverables.

Skills Development

The Group continued to invest in Training and Development programs to capacitate staff in their various functional areas of operation. Above 70% of staff attended relevant training courses during the year while study loans were availed to support staff members who were undertaking Continuous Professional Development courses and programmes. Products and services knowledge training remained a key focus area for the Group, while training was also provided to Agency Banking partners and Informal sector business clients.

Employee empowerment

In order to promote the use of technology for efficient service delivery by employees, the Group invested in training its staff in the use of e-channel delivery platforms. The Group also created an internal social media platform to enhance communication, engagement and sharing of experience among staff members.

Talent retention

The Group's strong Employee Value Proposition allows it to maintain a high staff retention rate and as such the Group was able to retain all its key talent during the year. The full year staff turnover rate was at 2.68% and well within the Group's benchmark of not more than 10%. Harmonious industrial relations have been key to ensure continuous focus on productivity issues with Works Council and Workers Committee structures providing vibrant channels for communication, collaboration and information sharing and exchange of ideas.

National Manpower Development participation

The Group continued to play an active part in supporting the country's manpower development needs. About 100 students from various tertiary institutions were assisted to gain the necessary practical experience in partial fulfillment of their study programs.

CONSUMER ISSUES AND FAIR OPERATING PRACTICES

Suppliers, partners and other value chain operators

The Group's procurement policies and procedures are meant to be all inclusive and accommodative to all players in the Industry, whose offerings are relevant to our Group operations. The procurement policies and procedures were developed with an understanding that most of our enterprises in Zimbabwe are small to medium size, and with a further understanding that these are the Companies which are driving the economy. In order to ensure that all players in the economy are given equal opportunities to do business with the Group, a policy was put in place to renew the suppliers list after every two years. The selection and vetting of the suppliers to be included in the respective suppliers list is done by a committee which is comprised of representatives from all subsidiaries and business divisions. Group Procurement representatives are part of the committee as ordinary committee members so as to ensure transparency.

The Group renewed its Suppliers list in October 2016 for the years 2017 and 2018 and all the suppliers which met the set criteria were considered. The bulk of the listed suppliers are small to medium enterprises.

The Group thrives to establish close relationships with supply chain partners so as to influence all the partners to be socially and environmentally responsible. The Group uses its procurement to continuously develop small to medium enterprises to grow into large corporates.

Engagement of vendors for all procurements is through open tenders and competitive bidding. Tender invitations are prominently published in the national press. The Group Chief Finance Officer chairs a diverse Tender Committee which is responsible for evaluation and award of tenders. Competitive bidding is also done through inviting all listed suppliers in a certain category and submission of quotations is done electronically to a group, not to an individual. The supplier with the most favorable terms is then awarded the tenders.

The Group awarded tenders for capital assets, consumables, and services to various vendors during the year. Significant tenders issued were as indicated below;

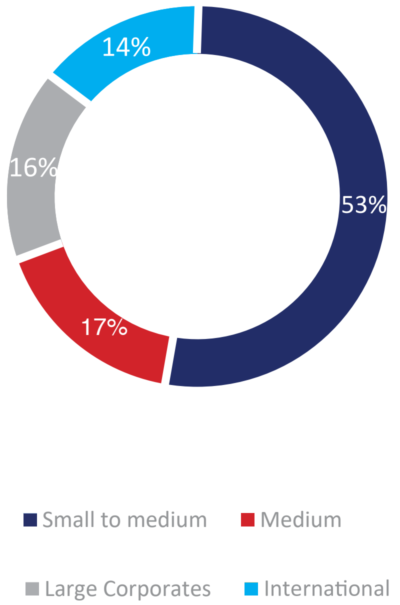
	Requirement	Value	Award
1	Super Cluster Hardware for the Main system	1 237 100	Awarded to a small local enterprise which is a partner of the International manufacturer
2	POS terminals	1 366 000	Awarded to an international company and Large local enterprises
3	Security Equipment	296 784	Awarded to various small to medium enterprises
4	Business Equipment	348 043	Awarded to various small to medium enterprises
5	Motor vehicles	906 709	Awarded to medium enterprises
6	Furniture and fittings	233 461	Awarded to various small to medium enterprises
7	Provision of security services	3 607 128	Awarded to 10 small to medium enterprises with contracts in place
8	Consumables	985 200	Awarded to various small enterprises
9	Cleaning Services	757 000	Awarded a Medium sized enterprise with a contract in place
	Total	**9 737 425**	

Orders awarded to International and large companies were for Point of Sale Machines which required tailor made software to be loaded and some configurations to be done before delivery. Such software and configurations could not be provided by small to medium enterprises. No disputes or complaints were raised by the contractors in relation to our awards. All payments to service providers were done within the agreed time frames.

The Group promotes small to medium enterprises by ensuring that almost all its purchases and service provision are done from local companies. The Group only resorts to foreign companies where local companies are unable to satisfactorily provide the required products or services.

The Group, in 2017 intends to use its renewed suppliers' List for all procurements. This will give the new suppliers an opportunity to also do business with the Group. The Group will also continue with its current procurement policy of tendering and competitive bidding so as to maintain transparency and afford small to medium sized companies equal opportunities.

The Group awarded tenders valued at US$ 9.7 million during the year. The sectoral share of significant tenders is as indicated in the chart below;

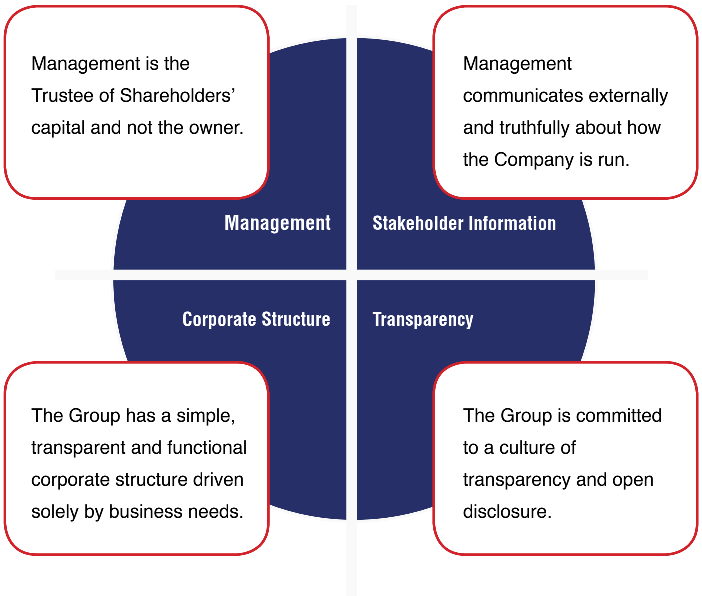


CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

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

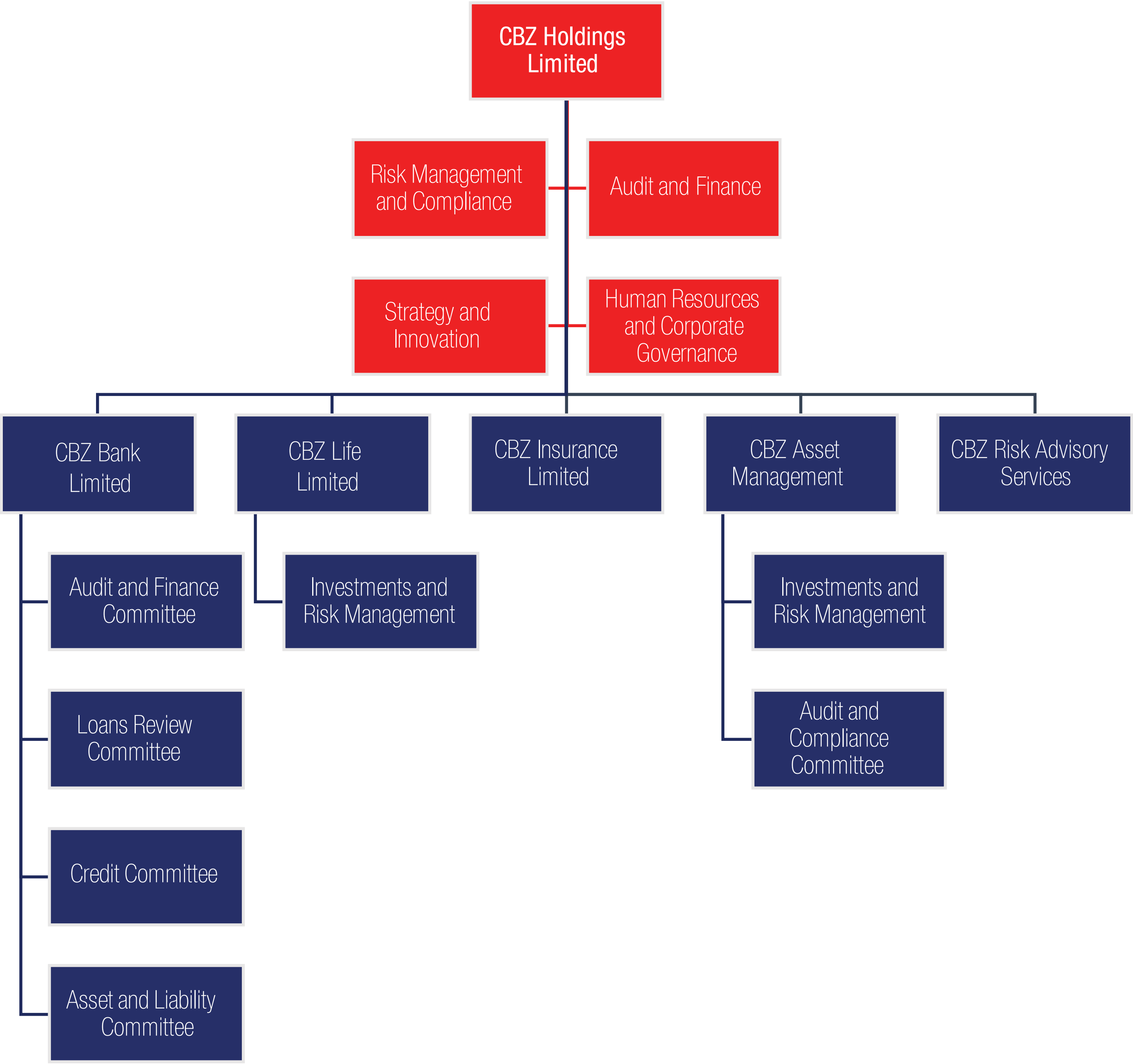


COMPLIANCE WITH THE LAW, REGULATORY DIRECTIVES AND BEST PRACTICE GUIDELINES

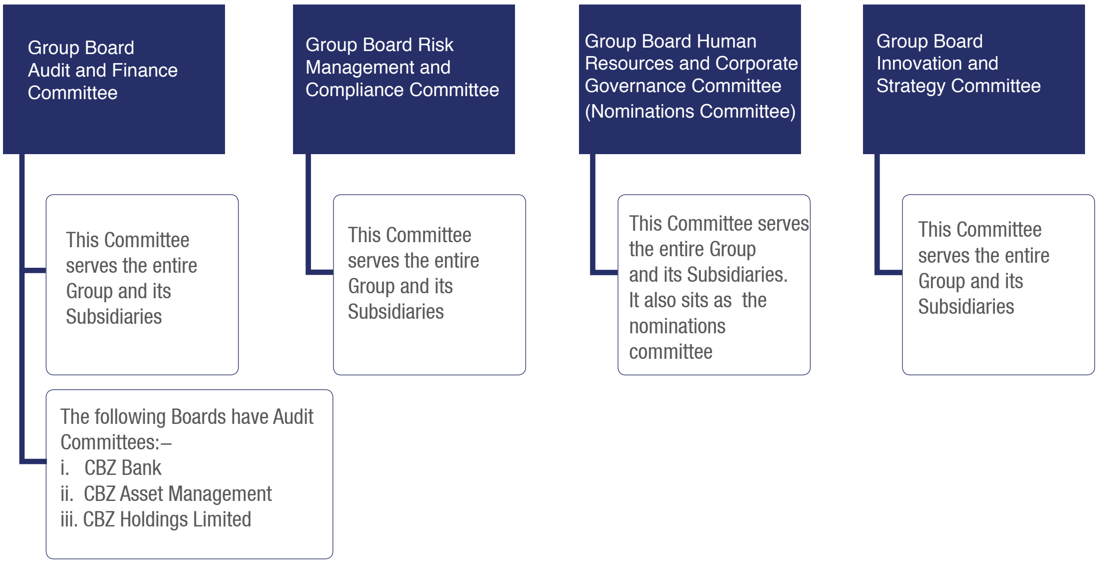
Laws and Regulations Applicable to the Group

The Board is committed to compliance with Corporate Governance provisions which include the Reserve Bank of Zimbabwe Corporate Governance Guidelines and the Banking Act (Chapter 24:20) and since the launch of the Zimbabwe Code on Corporate Governance on 09 April 2015, the Group continues to apply its principles and standards. The Group has also, in all material respects voluntarily applied the 2009 King Report on Corporate Governance for South Africa and King Code on Corporate Governance (King III). The Group also takes cognisance of other International Standards enshrined in the Cadbury's Report.

Group and Subsidiary Board Structures



Relationship of Group Board Committees with Subsidiaries



CURRENT BOARD STRUCTURE AND COMPOSITION

Elliot Mugamu	Non-Executive Director (Chairman)*
Richard Dawes	Vice Chairperson and Lead Independent Director**
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
Ian Harold Harris	Independent Non-Executive Director
Richard Zirobwa	Independent Non-Executive Director
Rebecca Pasi	Independent Non-Executive Director
Gaylord Tafadzwa Nyamayi	Independent Non-Executive Director
Tsitsi Mutasa	Non-Independent Non-Executive Director
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Ruvimbo Mabeza-Chimedza	Independent Non-Executive Director
Colin Chimutsa	Executive Director
Never Nyemudzo	Executive Director

* Retired on 28 February 2017

** Appointed acting Chairman on 1 March 2017

GOVERNANCE MODEL AND APPLICATION OF THE BANKING AMENDMENT ACT, 12 OF 2015

The Banking Act Amendment 12 of 2015 was gazetted on 13 May 2016 and it brought about various changes and enhancements which Banking institutions were required to comply with. In applying the provisions of the Banking Act Amendment Number 12/2015, we took into account our current governance model and strategic thrust, and came up with a compliance plan to be in full compliance by 30 June 2017. The following aspects were addressed in the Group Compliance Plan:

The Group had a Cross Directorship Model which was adopted for purposes of fostering cross-selling of ideas and breaking silos within the Group. Pursuant to this, key Board Committees were also centralized at Group level. Changes to the Banking Act had an impact on Directors' independence as a result of the cross-sitting model:-

2016 Director Cross Sitting Model

The Cross-Sitting Model was as follows:-

Director	Cross-Sitting	Boards
E Mugamu		CBZ Holdings CBZ Bank
R Dawes		CBZ Holdings CBZ Life
R Zirobwa		CBZ Holdings CBZ Asset Management
IH Harris		CBZ Holdings CBZ Asset Management
R Mabeza-Chimedza		CBZ Holdings CBZ Bank
R Pasi		CBZ Holdings CBZ Bank CBZ Risk Advisory Services
R Nhamo		CBZ Holdings Limited CBZ Insurance
B Naik		CBZ Holdings CBZ Asset Management
C Chimutsa		CBZ Holdings CBZ Bank CBZ Life CBZ Insurance CBZ Asset Management CBZ Risk Advisory Services
N Nyemudzo		CBZ Holdings CBZ Bank CBZ Life CBZ Insurance CBZ Asset Management CBZ Risk Advisory Services

The Cross-Sitting model of the Group resulted in non-compliance with provisions of the Banking Amendment Act relating to Independence of directors, years of service on the Board and number of other directorships. As a result the Board of directors resolved to abolish the cross sitting model mapping its way towards compliance.

Independence of Directors

The assessment criteria set out in Section 2 paragraph (c) of the Banking Amendment Act, sets out the parameters in assessing whether a Director is 'Independent' or not.

The table below illustrates the status of compliance with the said parameters:-

Independence of CBZ Holdings Limited Board of Directors

ASSESSMENT CRITERION	DIRECTORS	STATUS ON COMPLIANCE
Substantial Shareholder	Nil	Compliant
Current or Former Employee	C Chimutsa N Nyemudzo	Executive Directors
Previously served on the Board	C Chimutsa N Nyemudzo	Executive Directors
Director, officer or employee of a Group Company	C Chimutsa N Nyemudzo R Nhamo IH Harris R Zirobwa R Dawes R Mabeza-Chimedza E Mugamu R Pasi	Executive Director Executive Director Non-Compliant
Professional Adviser	Nil	Compliant
Nominee, representative, associate or close relative of a substantial shareholder	T Mutasa FM Dernawi E Mugamu	Non-Compliant
Currently has or previously had a contractual or business relationship	Nil	Compliant
Has received any remuneration other than director fees	Nil	Compliant

Ian Harris, Richard Zirobwa, Ruvimbo Mabeza and Rebecca Pasi are to permanently retire at our 2017 AGM. The Board is seeking to replace the vacancies with independent non-executive directors within the act.

Limit of Tenure of Office on the Board

The Banking Amendment Act, in Section 11(b) states as follows:-
"No person who has served as a director of a banking institution for a continuous period of ten years shall be eligible for reappointment to the Board of that institution unless at least five years have elapsed since he or she last served on that board."

Limit of Tenure of Office on the Board (continued)

The table below illustrates the status of compliance with the above-mentioned provisions:-

Director	Boards within the Group	Date of Appointment	Tenure (Years)	Applicable Tenure (Years)
E Mugamu (Chairman)	CBZ Holdings Limited CBZ Bank Limited	1 April 2012 1 January 2008	4 9	9
R Pasi	CBZ Holdings Limited CBZ Bank Limited	1 April 2012 1 January 2008	4 9	9
R Nhamo	CBZ Holdings Limited CBZ Insurance	24 June 2009 8 August 2012	7 4	7
R Dawes	CBZ Holdings Limited CBZ Life Limited	1 January 2015 1 January 2011	2 6	6
R Zirobwa	CBZ Holdings Limited CBZ Asset Management	1 January 2015 21 July 2004	2 12	12
IH Harris	CBZ Holdings Limited CBZ Asset Management	1 January 2015 1 June 2005	2 1/2 years 11	11
R Mabeza-Chimedza	CBZ Holdings CBZ Bank	1 May 2014 27 May 1998	2 18 years	18 years
G Taputaira	CBZ Holdings	24 June 2009	7	7
GT Nyamayi	CBZ Holdings	1 May 2016	6 months	6 months
T Mutasa	CBZ Holdings	1 May 2016	6 months	6 months
FM Dernawi	CBZ Holdings	24 June 2009	7	7

Following application of this provision, the following Directors are scheduled to retire at the 2017 Annual General Meeting:-

- Richard Zirobwa
- Ian Harold Harris
- Ruvimbo Mabeza-Chimedza

Limit of Number of Directorships

In accordance with the provisions of section 19(1) (a) and (b) the Board resolved that Directors with directorships in excess of the prescribed limit relinquish other directorships thereby complying with the provisions of the Act. As illustrated below, the Directors' status was affected by the cross-sitting model which entailed directorships on other Group Companies and directorships on family-owned businesses. The Directors had the following total directorships:-

Director	Boards within the Group	Boards outside the Group
E Mugamu	CBZ Holdings CBZ Bank	Tsvigiri Engineering (Pvt) Ltd t/a Club Service Station SAGO Investments (Pvt) Ltd Mount Pleasant Paints Hardware (Pvt) Ltd t/a Mount Pleasant Hardware Blackstone Bookshop Gulliver Consolidated Limited Cottco
R Pasi	CBZ Holdings CBZ Bank	Bechr Holdings (Pvt) Ltd Bechr Filing Concepts (Pvt) Ltd Bechr Industries (Pvt) Ltd Jeabe Corporate Graphics (Pvt) Ltd
R Nhamo	CBZ Holdings CBZ Insurance	Distinctive Consultancy Helgesrey Construction Imaldape Electrical Services Valuefin Investments
R Dawes	CBZ Holdings CBZ Life	Duefore Invements Dramland Investments Clidder Minerals
IH Harris	CBZ Holdings CBZ Asset Management	Medical Investments Limited Pam Golding Properties Zimbabwe H & H Microfinance Sail Investments
R Zirobwa	CBZ Holdings CBZ Asset Management	Nil
R Mabeza-Chimedza	CBZ Holdings CBZ Bank	Cremz (Pvt) Limited Teach Zimbabwe Trust CIMAS Medical Laboratories Self Help Development Trust Community Development Trust
G Taputaira	CBZ Holdings	Polarvale Investments Bretwin Investments Viola Investments Learthrust Investments
GT Nyamayi	CBZ Holdings	Montana Meats Cairns Holdings Bregcomb Investments Racrod Capital Advisors
T Mutasa	CBZ Holdings	ZIMLEF
FM Dernawi	CBZ Holdings	Nil

Directors have relinquished directorships on all non-essential boards and some family owned companies to bring them into compliance with the provisions of the Act.

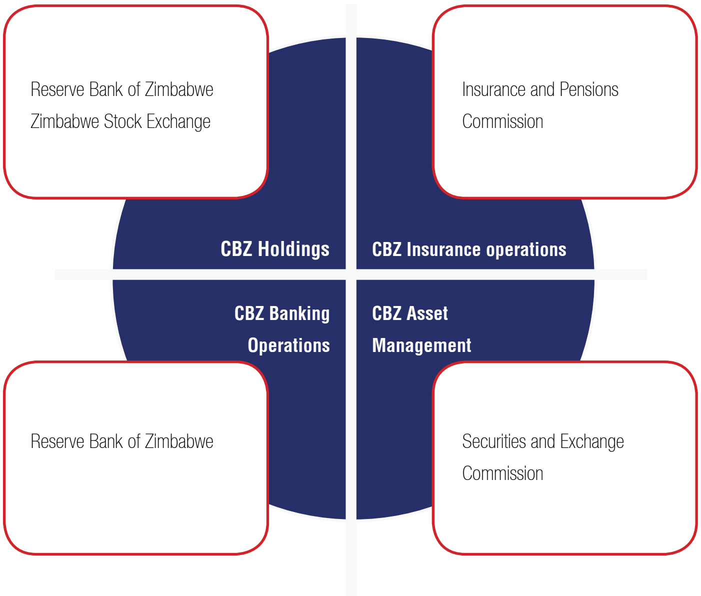
ESTABLISHMENT OF A SEPARATE COMPLIANCE FUNCTION

In 2016, the Compliance function was embedded within the Group Risk Management and Compliance function headed by the Group Chief Principal Risk Management and Compliance Officer.

In view of the regulatory requirements, the Group Risk Management and Compliance Division was restructured to separate the Risk Management Division from the Compliance Division.

Regulation of Group Companies

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



During the year 2016, communications with regulatory authorities encompassed the following:-

- Annual Director and Board Evaluation;
- Fitness and Probity Assessments of Directors;
- Approval of content and nature of Shareholder communications;

THE BOARD OF DIRECTORS

The Board is collectively responsible for the long term success of the Company and the delivery of sustainable shareholder value.

The Board has overall responsibility for:-

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

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

The Board and Committee activities increased significantly in 2016 with a number of key strategic issues taking centre stage. In November 2016, the Board reviewed its corporate strategic plan. This saw expansion of the Group's Culture Change Strategy, an initiative that focuses on people, skills and culture for the effective attainment of the Group's Vision. The strategic process also saw a full review of our business and focussed on needs of our customers, improving our operations and IT systems, including simplifying our organisational and decision making structures.

Role of the Chairman

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

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

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

Role of the Group Chief Executive Officer

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

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

- Develop, drive and deliver the strategy and vision of the Group.
- Drive and deliver performance of the Company against set performance and sustainability targets and reporting appropriately to the Board about such performance;

Role of the Group Chief Executive Officer (continued)

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

Role of the Board of Directors

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill and diligence and exercises independent judgment. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations.
The roles of the non-executive chairman and the chief executive officer are formalised, separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no one individual having unrestricted decision-making powers. The non-executive directors have extensive business experience and specialist skills across a range of sectors, including accounting, finance, law, retailing and human resources. This enables them to provide balanced and independent advice and judgement in the decision-making process.

The Board meets at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings.
Biographical details of the Directors appear on pages 91 to 95 of the Integrated Annual Report.

Size and Composition of the Board

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

Provisions in terms of the Articles of Association
Article 79 of the Articles of Association of the Company provides as follows:-

"Until otherwise determined by the Company in a general meeting, there shall be not less than four (4) or more than thirteen (13) Directors."

The Group has a unitary Board structure with thirteen directors, comprising two salaried Executive Directors and eleven Non-executive Directors. As at 31 December 2016, our Board consisted of the following 13 Members:-

Member	Status
Elliot Mugamu	Non-Independent Non-Executive Director (Chairperson and Majority Shareholder Representative)
Richard Dawes	Vice Chairperson and Lead Independent Director
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
Ian Harold Harris	Independent Non-Executive Director
Richard Zirobwa	Independent Non-Executive Director
Rebecca Pasi	Independent Non-Executive Director
Gaylord Tafadzwa Nyamayi	Independent Non-Executive Director
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Tsitsi Mutasa	Non-Independent Non-Executive Director
Ruvimbo Mabeza-Chimedza	Independent Non-Executive Director
Collen Chimutsa	Executive Director
Never Nyemudzo	Executive Director

Board Charter

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

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

Availability of information to Board members

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

- Annual strategic and operating plans and budgets, capital budgets and updates;
- Quarterly results of our operating Subsidiary Units;
- Minutes of meetings of the Board, Audit and Finance Committee, Human Resources and Corporate Governance Committee (incorporating Nominations and Remuneration, Risk Management and Compliance Committee) as well as Strategy and Innovation Committee;
- The Board meeting minutes of the subsidiaries
- Dividend data
- Information on recruitment and remuneration of Executive Management;
- Materially important litigations, show cause, demand, prosecution and penalty notices;
- Any materially relevant defaults in financial obligations.
- Any issue that involves possible public or product liability claims of a substantial nature;
- Details of joint ventures, mergers and acquisitions of companies, or collaboration agreements;
- Transactions that involve substantial payments toward goodwill, brand equity or Intellectual Property (IP);
- Any significant development involving human resource management;
- Sale of a material nature, or of investments, subsidiaries and assets, which are not part of the normal course of business;
- Non-compliance with any regulatory, statutory or listing requirements, as well as shareholder services, such as non-payment of dividend and delays in share transfer;

Director Training and Professional Development Programs

During the year 2016 Board training and developmental initiatives remained focused on enabling Directors to have access to learning, development and training opportunities which enable them to be suitably knowledgeable and skilled to carry out their role within the Company. In line with strategic imperatives, the objective of the year's training programs were as follows:-

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

Director Training and Professional Development Programs (continued)

The Training Programs undertaken during the course of the year were as follows:-

TRAINING PROGRAM	SUMMARY OF PROGRAM CONTENT	BENEFITS TO THE BOARD
Finance for Non-Finance Managers	• Essential Tools – covered sources and uses of capital, income, important concepts and to use them, understanding flows and balances, How to measure profit. • Profit, Cash Flow and the Balance Sheet – The relationship between profit and cashflow, introduction to the balance sheet, using balance sheet to manage the business, business simulation. • Cost and Interpretative Analysis – Introduction to ratio analysis, working capital management, statement of capital structure, analysis of simple financial statements to identify problems and suggest suitable corrective action.	After completing Finance for Non-financial Managers, Members had gained the ability to: • Understand the language associated with finance • Read and Assess financial statements • Understand basic financial terms and analysis techniques • Recognize the link between organizational strategy and financial objectives • Use "the numbers" to their best advantage to make more informed decisions
The Inaugural Zimbabwe National Code of Governance Conference: Strategy, Implementation and Compliance	Global awareness and the adaptation and implementation of good governance.	• Gain insight knowledge and strategy of implementing the National Code. • Enhance Members' awareness of parameters to foster a culture of good governance • Assist Directors with the necessary tools for adapting internal practices to best practice guidelines • Benchmarking the Group's initiatives with Global organisations • Networking with Senior Executives from Government and private companies in Zimbabwe
Risk South Africa 2016	• Macroeconomic Perspective: FED rate hike in focus and the impact on market condition • Confronting illiquidity in the market – new trading strategies going forward • Regulatory Address - phasing in twin peaks – a progress report • Fundamental concern – How banks are getting grips with the Fundamental review of the Trading Book • Decoding the latest Basel III capital requirements and their impact • An all encompassing account credit and counterparty risk –what your firm needs to know • Holistic stress testing and its value to liquidity risk management • Diversification: Theory and evidence of the benefits of quantifying your portfolio diversification • CyberRisk in the South African financial sector - identifying key threats and challenge in the new digital world • Twenty years on from the collapse of Barings, what really has changed • Enterprise Risk Management Exposures – An Executive Perspective • A spotlight on central clearing – updates on OTC derivatives reform • A changing landscape – the impact of conduction risk on the financial industry • Assessing the impact of infrastructural change on market developments – Is South Africa ready for multiple exchange platforms?	• The course was aimed at giving each delegate the ability, knowledge and confidence to apply Risk Management Best Practices. • Prepared Board members for the increasing threats and challenges in the new digital world. • Related Risk Management in business and context • Enabled members to identify and describe risk in the business environment • Risk Evaluation • Organisational response to risk • Managing Risk Management • Risk Management communication and Integration
EUROMONEY 4 day In-house Corporate Governance Training	• The Importance of Corporate Governance • Governance Lessons: The Enron Collapse • The Business Case for Corporate Governance • Changing Consciousness Worldwide about Corporate Governance: National Governance Codes • What is so Special about Corporate Governance in Banking • Influencing Executive Management Thinking* • The Distinct Roles of the Board of Directors • Governance Lessons: The WorldCom Collapse • Board Dynamics and the Composition of the Board • The Developing Role of the Board concerning Risk Management • Risk Management and Understanding the Broad Dimensions of Responsible • Business Behaviour • *Part 2 Analysis of Influencing Executive Management Thinking will be resumed in Day 3 • **Order of the presentation sections changed upon request • Investing in Responsible Business: The Business Drivers for Responsible Business • Behaviour • Influencing Executive Management Thinking (resumed)	• The training helped the Board determine the best Corporate Governance practices suited for CBZ Holdings. • Enhanced the Board awareness with the latest best Corporate Governance practices. • The Board gained insights on Board specific strategies to mitigate risks and maximise opportunities. • Helps the Board to develop the right strategies for change management and create advance plan for seamless change.

Director Training and Professional Development Programs (continued)

COURSE	DATES	FACILITATOR	PARTICIPANTS
Finance for Non Finance Managers	25-28 January 2016	Johannesburg School of Finance	Mrs R. Pasi Mr P. Zimunya Dr R. Mabeza-Chimedza
The Inaugural Zimbabwe National Code of Governance Conference	4-5 February 2016	Rainbow Towers, Harare	Mr P S Whata Mr E Mugamu Mr P Zimunya
Team Building Session for CBZ Group Board	6 February 2016	Bushman's Rock	Mrs R Pasi Mrs P S Madzonga Dr R Mabeza- Chimedza Mr F Chirimuuta Mr P Zimunya Mr M Mudondo Mr Whata Dr Masunda Mrs Naik Mr Zirobwa Mr Wilde Mr Taputaira Mrs Nhamo Mr Dawes Mr Harris Mr Nyemudzo Mr Chimutsa Mr Zizhou Mr Mureriwa Mr Muzadzi Mr Smith
Risk South Africa 2016	10-11 March 2016	Incisive Media Service	Mrs R. Pasi Dr Mabeza-Chimedza Mrs P Madzonga Mr E Mugamu
17th Annual African Corporate Governance Conference	15-18 March 2016	Advantage Training	Mr P S Whata Mr G. Taputaira Dr V. Masunda Mr F.B. Zizhou
Inhouse Corporate Governance & Risk	7-9 June 2016	Euromoney	All Board Members except Mr I.H. Harris Mr G.T. Nyamayi Mrs D.K. Shinya Mr F M Dernawi
Chairperson's Lounge	30 June – 2 July	Zimlef Management	Dr Mabeza-Chimedza Mr E. Mugamu Mrs N. Ndlovu Mr R. Dawes Mr H. Tshuma Mr G. Taputaira
Finance for Non- Finance Executives	4-7 July 2016	Johannesburg School of Finance	Dr R. Mabeza-Chimedza

Training Plan for 2017

In planning for the Training Plan for the year ending 31 December 2017, emphasis has been placed on:-

- Induction of new directors;
- Trends in Corporate Governance;
- Risk Management and Finance.
- Finance for non-finance managers.

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Board Evaluation

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

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

In 2016 the evaluation was concluded by a specialist board evaluation consultancy, and a number of initiatives were implemented aimed at improving the overall performance and effectiveness of the Board. Initiatives included targeted training and Board team building and developmental programmes.

The annual evaluation covered three assessments which are:

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

The performance evaluation process:-

The following approach was followed in providing the Board evaluation:-

- The Group Legal and Corporate Secretary distributes the evaluation questionnaires designed by the Reserve Bank of Zimbabwe to the Directors for completion. The completed questionnaires are then submitted to our consultants for an independent analysis.
- The Chairman and the Directors are required to complete a self-assessment and an assessment of their peers, the Board as a whole and the Chairperson;
- The outcome of the self-assessment is compared against the outcome of the assessment done by the Directors' peers;
- Each Director rates the evaluation factors on a scale of 1 (strong) to 5 (critical) and there is provision to make comments;
- The consultant collates and summarise the responses and comments made to the evaluation questionnaires and
- Prepare a report that summarises the Directors' assessments of the performance of the overall Board, the Chairperson and the individual Directors. Where gaps have been identified, recommendations to address the gaps are made to the Board.
- Once this process is complete, the report is submitted to the RBZ.

Outcome of the 2016 Evaluation

The 2016 performance evaluation concluded that the Board was strong and operated effectively and in accordance with its terms of reference through out 2016. The Boards committees also undertook their work well providing strong support to the Board.

Board Meetings

In 2016, four Board meetings were scheduled and individual attendance by Directors at these meetings is shown in the table below. The Chairman and non-Executive Directors meet at least once a year without Executive Directors present.

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

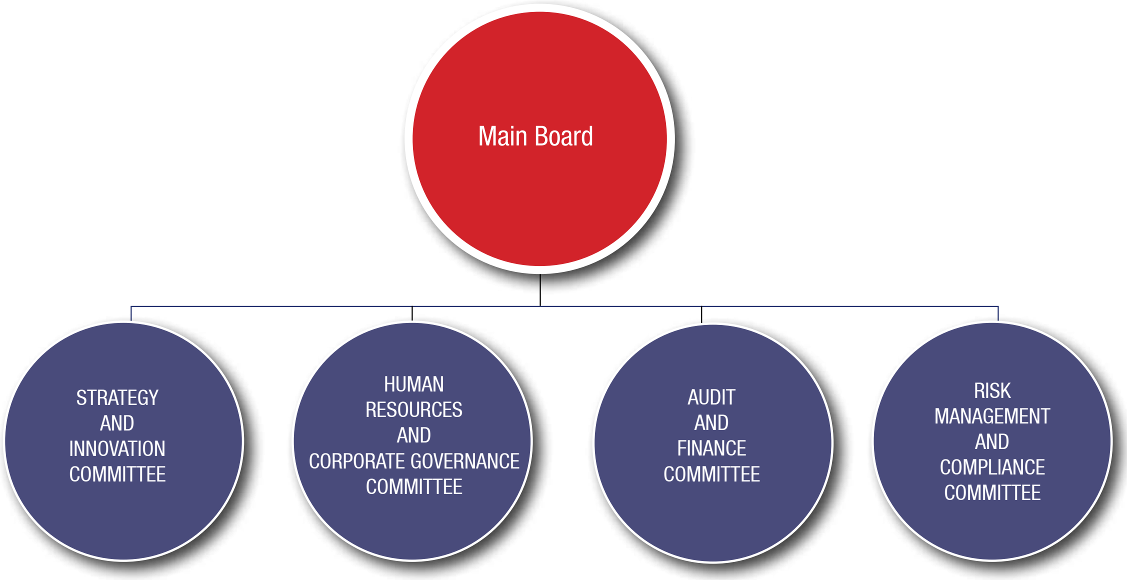
The Board agenda and meeting structure focuses on strategy, performance monitoring, governance and related matters. This ensures that the Board's time and energy are appropriately applied. Directors may propose additional matters for discussion at Board meetings. In advance of each meeting, the directors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

Board Meetings (continued)

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

Board and Committee Structure

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



CBZ Holdings Limited Board Committee and Board Attendance Register (January to December 2016)

	Audit & Finance	Risk Management & Compliance	Human Resources & Corporate Governance	Strategy & Innovation	Main Board
Number of Meetings Held	*4*	*4*	*5*	*4*	*5*
Dawes, R	**	**	**	4	5
Dernawi, F M	**	4	**	**	4
Harris, I H	4	**	**	**	5
Mabeza-Chimedza, R (Dr)	**	3	4	**	4
Mugamu, E	**	1	5	3	4
Mutasa, T	**	3	**	**	4
Nhamo, R	**	**	5	**	5
Nyamayi G T	3	**	**	**	4
Pasi, R	**	4	**	4	5
Taputaira, G	**	**	**	4	4
Wilde, R V***	**	**	1	**	1
Zirobwa, R	4	**	**	**	5
Nyemudzo, N*	4	4	5	4	5
C. Chimutsa*	4	4	**	4	5

KEY
* Executive Directors
** Not a Member
*** Retired

The Executive Directors, N. Nyemudzo and C. Chimutsa attend all committees by invitation.

Meeting	Number of Meetings Held
AUDIT AND FINANCE	4
RISK MANAGEMENT & COMPLIANCE	4
HUMAN RESOURCES & CORPORATE GOVERNANCE	5
STRATEGY & INNOVATION	4
MAIN BOARD	5

Principal activities of the Board during 2016

During 2016 the Board focused on a number of projects with an enhanced focus on organisational culture change. The culture change project has underpinned Board discussions during the year. A revised approach to Board papers was adopted in 2015 in order to improve and enhance the quality, content and consistency of information presented to the Board. It is targeted that a paperless board is to be adopted by 31 December 2017.

An overview of the principal activities of the Board during 2016 is shown below:

The agenda of each Board Meeting

- Directors Interests
- Group Chief Executive Officer's Report
- Presentation of financial results and update on CAPEX and budgets
- Reports from Committee Chairmen
    - Audit and Finance
    - Risk Management
    - Strategy and Innovation
    - Human Resources and Corporate Governance
- Directors training report

1st Quarter
- Annual Results and AGM notice
- Board and Committee Evaluations
- External Auditor Report
- Approval of Audit fees
- Internal Audit Report
- Approval of 2016 Audit Plan
- Annual review of Group Policies
- Annual General Meeting preparations
- Analyst briefing and results publication
- Investor and Analyst engagements and follow up meetings
- Annual approval of the following Risk Policies
    - Sanctions Policy
    - ICAAP Policy
    - Bank Risk Business Continuity Policy
    - Operations Policy
    - Anti-Money Laundering Policy
    - Prevention of Fraud, Corruption and Theft Policy
- Appointment of External Auditors
- Final dividend declaration proposal for year ended 31 December 2016

2nd Quarter
- Review of Q1 results
- Annual Review of Board Charters
- Annual Review of Committee Terms of Reference
- Review of Board and Committee corporate governance structures
- Review of advisory and fundraising projects
- External Audit Report
- Internal Audit Report

3rd Quarter
- Review of interim results
- Review of 2016 Mid Term fundraising
- Review of 2016 Audit Plan achievements
- Interim dividend declaration proposal for half-year ended 30 June 2016
- External Audit Report
- Internal Audit Report

4th Quarter
- Review of Q3 Results
- Strategy planning for year 2017
- Review and approval of strategy
- Approval of 2017 Budgets
- Subsidiary and Management strategy review
- Board Evaluation forms are distributed to Board members
- Discussion of 2017 Board Calendar

DIRECTOR REMUNERATION

Non-Executive Directors receive fees for their Board membership and committees on which they serve. In line with best practice, proposals on Non-Executive Directors' remuneration are made by the Human Resources and Remuneration Committee for review by the Board. The remuneration of Non-Executive Directors is submitted to shareholders for approval at the annual general meeting held prior to implementation. The Directors' remuneration is aligned to best practice and remains competitive with that of other financial institutions.

ACCESS TO GROUP LEGAL CORPORATE SECRETARY

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

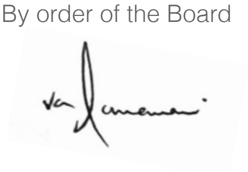
The Group Legal Corporate Secretary oversees the induction of new Directors and assists the Group Chairman and the Group Chief Executive Officer to determine the Board agendas, as well as to formulate governance and Board related issues. She acts as a trusted advisor in the effective functioning of the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

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

Statement of Compliance

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

By order of the Board



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RUMBIDZAYI ANGELINE JAKANANI
GROUP LEGAL CORPORATE SECRETARY

23 February 2017

ACTING CHAIRMAN'S CORPORATE GOVERNANCE DISCLOSURE STATEMENT

On 25 November 2016, the National Social Security Authority (NSSA), which holds a shareholding of 11.71% wrote to the Company seeking clarification on certain matters relating to CBZ, and in particular the independence of the Company's Board of Directors and that of the Board Chairman. In addition, clarification was sought on remuneration policy for both Executive Management and the Board of Directors. NSSA sought enhanced disclosures on the following aspects:-

- The total remuneration package paid to the Chairman, including any benefits;
- Total fees paid to the Non-Executive Directors;
- Executive remuneration packages; and
- Disclosures on Insider Loans.

In a letter dated 1 December 2016, disclosures relating to total remuneration paid to the Chairman and Board of directors were made. Following the necessary disclosures, the Company and its Shareholders undertook a comprehensive engagement process that culminated in the implementation of the following resolutions:

- That the Chairman of the Board of Directors of CBZ Holdings Limited, Mr Elliot Mugamu, retires from the Board and as a Non-Executive Director in the Group with effect from 28 February 2017.
- That Richard Dawes is appointed, as Acting Chairperson pending the appointment of a substantive Chairperson and Deputy.
- That quarterly fees for the Board Chair be capped at a maximum of US$6 000 and that ordinary Board member fees should not exceed US$4 200 per quarter.
- That the sitting fees for the Board Chair should not exceed US$800 per sitting and that ordinary sitting board member fees should not exceed US$650.

We are committed to defining, following and practising the highest level of Corporate Governance across all our business functions. Integrity and transparency will remain key to our Corporate Governance practices and performance and ensure that we retain and gain the trust of our stakeholders at all times.

....
Richard Dawes
Acting Chairman

31 March 2017

REPORT OF THE DIRECTORS

We have the pleasure in presenting our report and the audited financial statements for the year ended 31 December 2016.

SHARE CAPITAL

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

Authorised: 1 000 000 000 ordinary shares

Issued and fully paid: 686 828 740 ordinary shares

INCORPORATION, ACTIVITIES AND RESULTS

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

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

	31 Dec 2016 US$	31 Dec 2015 US$
Dividend Payout	3 204 310	2 913 009
Retained for future growth	20 485 510	32 170 626
	23 689 820	**35 083 635**

Directorate as at 31 December 2016

Elliot Mugamu	Chairman
Richard Dawes	Vice-Chairman
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Tsitsi Mutasa	Non-independent Non-executive Director
Ruvimbo Mabeza-Chimedza	Independent Non-executive Director
Roseline Nhamo	Independent Non-executive Director
Rebecca Pasi	Independent Non-executive Director
Givemore Taputaira	Independent Non-executive Director
Gaylord Tafadzwa Nyamayi	Independent Non-executive Director
Ian Harold Harris	Independent Non-executive Director
Richard Zirobwa	Independent Non-executive Director
Never Nyemudzo*	Group Chief Executive Officer
Collen Chimutsa*	Group Chief Finance Officer

* Executive

Rumbidzayi Angeline Jakanani — Group Legal Corporate Secretary

DIVIDEND ANNOUNCEMENT

The Board has decided to declare a final dividend of US$1 602 155 for the year ended 31 December 2016.

By order of the Board

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RUMBIDZAYI A. JAKANANI
GROUP LEGAL CORPORATE SECRETARY

23 February 2017

BOARD COMMITEE
REPORTS

BOARD COMMITTEE FRAMEWORK

“This framework ensures that there is a balance of power and that no individual has unlimited decision-making powers.”

The Board has established and delegated specific roles and responsibilities to four standing committees, to assist it in discharging its duties and responsibilities.

The Board Committees played a crucial role in the Company's governance framework during 2015, undertaking their work comprehensively and effectively supporting the work of the Board.

The Board has established and delegated specific roles and responsibilities to four standing committees, to assist it in discharging its duties and responsibilities. The Terms of Reference of each committee are approved by the Board and reviewed annually or as necessary. All committees are chaired by independent Non-Executive Directors.

The committees meet quarterly in accordance with their Terms of Reference and Members of the Executive Committee and other Management attend meetings of the various committees by invitation. The Board receives the minutes of each of the committee's meetings in advance. In addition, the committee Chairpersons update the full Board on agenda items covered and resolutions made by their respective committee in each board meeting every quarter.

This framework ensures that there is a balance of power and that no individual has unlimited decision-making powers. All board-delegated authorities are reviewed and updated annually by the Board. The Board evaluates the performance and effectiveness of Board committees every year and the Board is of the view that these committees have effectively discharged their responsibilities as outlined in their respective Terms of Reference.

Audit and Finance Committee Report

Ian Harold Harris - Committee Chairman

The year 2016 has been another significant year for the Group as it progresses on its journey "to be the preferred provider of financial solutions in Zimbabwe with a global reach". I am pleased to report that the Group Audit and Finance Committee has in the year 2016, supported the Board, in the discharge of its duties relating to the coordination of internal control management and risk management activities, through reasoned deliberations and making recommendations to the Board.

Roles of the Committee

The Committee considers the adequacy and effectiveness of Group internal controls. Its main objective is to provide effective financial governance in respect of the Group's financial results, the performance of both the internal audit function and the external auditors, and the management of the Group's systems of internal control, business risks and related compliance activities.

Internal control systems and internal audit

A key role of the Audit and Finance committee is to satisfy itself that the Group's systems of internal control over financial, operational, compliance and sustainability are effective. As part of our overall assessment of internal control over financial matters, we assisted the Board in reviewing and approving the annual risk based internal audit plan; as well as the significant matters reported by the Internal Audit function and the adequacy of corrective action taken in response to significant internal audit findings.

The Committee also evaluates the nature and extent of the formal documented internal financial controls to be performed by internal audit to allow the Board to make a robust assessment of the Group's principal risks. In line with its key role, the Committee also provides input into the assessment of the adequacy and effectiveness of Internal Audit's performance and that it complies with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing and Code of Ethics.

Other functions on internal control include reporting annually to the Board on the effectiveness of the Group's internal financial controls; reviewing the co-operation and coordination between the internal and external audit functions; review of any significant disagreements between Management and Internal Audit; and reviewing arrangements made by the Group to enable employees and outsiders to report in confidence their concerns about possible improprieties.

External auditors and external audit

In line with the statutory and regulatory provisions, the Committee welcomed the appointment of new external auditors Ernst & Young as the tenure of Deloitte Zimbabwe ended on 31 December 2015.

Major Matters considered by the Committee in 2016

- Annual review and recommendation of Committee 's Terms of Reference to the Board
- Final Dividend declaration consideration and interim dividend declaration
- 2016 Internal Audit Plan
- External Audit fees consideration
- Deliberation on the financial results of the Group for 2016.
- 2016 Budgets and Capital Expenditure

RBZ Guidelines on Internal Audit Standards

With the retirement of Richard Zirobwa and myself, the Audit and Finance Committee will lose two Independent Non-Executive Directors. The Board has during 2016 focused on the recruitment of Non-Executive Directors with an accounting background to sit on the Board and the Audit and Finance committee.

Key priorities for 2017

The year 2017 is set to be no less challenging for the Group and the Committee will continue to balance support to management with independent oversight. Focus will be placed on maintaining appropriate oversight over financial reporting, preparedness for accounting and regulatory changes including IFRS 9, monitoring systems of internal control and ongoing remediation programmes through a period of continued change, with the aim of embedding the correct culture and behaviours across the Group.

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Ian Harold Harris
Committee Chairman

23 February 2017

Strategy and Innovation Committee Report

Givemore Taputaira - Committee Chairman

It is my pleasure to report on the activities of the Committee for the year 2016.

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Functions of the Committee

The Role of the Committee is to assist the Board in the discharge of its duties relating to strategic and tactical investments and pursuance of business opportunities. It also oversees the planning, management and organisation of the Group's Information, Communications and Technology infrastructure. The ultimate objective is to enhance and maintain customer convenience and satisfaction through innovation, technology driven solutions and responsiveness.

- **Innovation**

  The Committee ensures that the Group invests in, and maintains, the right infrastructure, systems & processes that promote a culture of innovation across the organisation.

  More specifically, the Committee reviews and recommends, for approval by the Board, the Group's Innovation Strategy as proposed by Management. It monitors and reviews implementation of key initiatives that support the Group's innovation drive, whilst simultaneously ensuring that the Group maintains adequate innovation risk management frameworks.

- **Strategy**

  In relation to strategy, the Committee's key role is to provide oversight on matters relating to, or affecting, the Group's strategic direction in accordance with the Group's mandate It provides insight on the development and implementation of all key strategic initiatives by making recommendations to the Board.

  The Committee also reviews reports from M anagement, as required by the Board, on any new and significant emerging threats and opportunities which may have a significant influence on the ability of the Group to achieve its long term strategic objectives.

Major matters considered by the committee in 2016

- Data Integrity and Security – Recommended and oversaw the investment towards a new state of the art data center.
- Customer Experience – oversaw the investment towards digital platforms, namely CBZ Touch and Experience Center.
- Reviewed the Group's Vulnerability to Cyber-attacks in view of the increased shifts towards digital distribution of products and services.
- Oversaw Strategy Development, ensuring coordination of efforts and alignment of expectations between the Board and Management.
- Sustaining of innovation culture across the organisation.

Major matters considered by the committee in 2016 (continued)

The Committee is pleased with the achievements made in 2016 and looks forward to the year 2017 in anticipation of the rollout of more innovations that are in the pipeline.

Lastly, may I take this opportunity to thank the Board and fellow Committee members for the support and commitment during the year.

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Givemore Taputaira
Committee Chairman

23 February 2017

Human Resources and Corporate Governance Committee Report

Roseline Nhamo - Committee Chairperson

On behalf of the Board, it gives me great pleasure to report on the activities of the Board Human Resources and Corporate Governance Committee for the year 2016.

Over the past five years we have had a consistent focus on strengthening the Corporate Governance model of the Group in order to unlock shareholder value. This culminated in restructuring and alignment exercise to consolidate the Governance structure of the Group and align it to the strategy.

The Human Resources and Corporate Governance Report is designed to provide the necessary information to demonstrate the link between our Group's strategy, its performance, and the remuneration outcomes for our executives, particularly the Executive Directors.

Role and Responsibilities

The main role and responsibilities of the Committee are set out in the written terms of reference. The Committee's terms of reference are reviewed on an annual basis and during the 2016 financial year this took place in half year meetings. Some of the Committee's responsibilities are as follows:-

- Sets the overarching principles and parameters of committees remuneration policy across the Group;
- Considers and approves remuneration arrangements for Executive Directors and senior executives
- Governs the Executive and Employee Share Option Schemes;
- Looks at strategic Human Resources issues.

In addition, the Committee maintains strategic oversight over the following:-

- Board structure and composition;
- Board performance;
- Chief Executive Officer performance;
- Executive compensation;
- Succession planning;
- Corporate governance practices and disclosures;
- Material strategic decisions; and
- Overall governance matters.

Strategic Human Resources Matters

The Committee ensures that there is a direct line of sight between the Talent Management and Performance Management strategies and the overall company performance. During the year, the Committee continued with its focus on succession planning, leadership development and talent management.

Our role as the Board Human Resources and Corporate Governance Committee is to review and make recommendations to the Board on the appointment of Directors, the structure of the Board and membership of the Board's main standing. We also review development and succession plans for the Group's most senior Executive Management and certain appointments to the Boards and standing committees of principal subsidiaries in line with the Group Operating Model.

Strategic Human Resources Matters (continued)

The Board Human Resources and Corporate Governance Committee considers the current Board composition suitable for the Group's business requirements. However, such matters are kept under active review, considering scheduled retirements of Non-Executive Directors and the Group's future strategy.

Prior to each AGM, the Board Human Resources and Corporate Governance Committee determines whether it will recommend to shareholders that they vote in favour of the re-election of each Non-executive Director seeking election on a rotational basis. On an annual basis the Board conducts a review of its structure, composition and performance. A performance evaluation was undertaken during the reporting period in accordance with that process. On a regular basis the Board undertakes a formal, independent performance review.

We believe that orderly succession and renewal contributes to strong Corporate Governance and is achieved by careful planning and continual review. The Human Resources and Corporate Governance Committee reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Board has a skills matrix covering the critical competencies required in a business of our size.

Governance Issues

During the year ended 31 December 2016, the Committee's work involved:-

- Handling the appointment of new Directors onto the Board being: Tsitsi Mutasa and Tafadzwa Gaylord Nyamayi.
- Annual Board Evaluation facilitated by independent external consultants.
- Conducting the Fitness and Probity Assessment tests in line with regulatory requirements.
- Implementation of the Group Human Resources Risk Matrix.
- Recommending a strategy for recruitment and retention of suitably qualified personnel as well as continuous professional development.
- Oversight over the Employee Share Option Scheme.
- Review of Executive and Director Remuneration and compensation packages.
- Implementation of Culture Change Strategy and Business Efficiency Project.
- Implementation of the Banking Act Amendment 12/2015 that was gazetted on 13 May 2016.

In addition to our work described above, we continued to monitor overall Board performance, Group governance issues and progress against action items identified as part of the 2015 Board effectiveness review.

Principal activities of the Committee during the year:

- Implementation of the Banking Act Amendment 12/2015
- The Committee undertook a Group Corporate Governance review that looked at the overall Group Board structure including the structure and composition of all subsidiary boards and committees.

The review included the following

- Board and Committee structures
- Age profiles and tenure
- Skills mix and qualifications
- Classification of Directors
- Board Size
- Regulatory requirements.
- Review of Board Charter

Non-Executive Directors and Senior Executive Succession Planning

A succession planning review of both the Non-Executive Directors and the Senior Executives was undertaken in August 2015. This review included restructuring the reporting lines for senior Management. Appropriate succession plans have been documented for key roles and where an internal successor has been identified, development plans are being put in place to support these individuals. Implementation was on going during the year.

Leadership Needs of the Group

In considering the leadership needs of the Group, the Committee has focused on two key areas: defining the current talent map, and understanding the organisation's current capability versus the needs of the future strategic direction of the Group. In order to address these points a Group-wide talent review commenced with the Senior Executives and their direct reports. The needs of the future strategic direction of the Group have been scoped in discussion with the Board and the process of matching talent to needs.

Appraisal Process and Re-appointment of Directors

The Annual Board Evaluation Exercise was conducted through external independent consultants. The Committee has concluded that any Directors seeking re-election continues to be an effective member of the Board.

Remuneration Philosophy for Executives

The Group Human Resources Philosophy has long been established and was approved by the Human Resources and Corporate Governance Committee. This philosophy is to ensure that compensation and benefits programmes designed for the Group and its executives are done according to the framework of various guiding principles, including:

- linking remuneration to business results, market practice and non-financial goals;
- ensuring compensation and benefits programmes are legally compliant, locally relevant and globally consistent;
- providing a total remuneration package that rewards good performers competitively subject to periodical adjustments based on market movements, business performance and promoting internal equity to ensure employees performing similar roles within the same market are rewarded fairly.

Remuneration Practice for Non-Executives

Fees of Non-Executive Directors are fixed by shareholders at shareholders general meetings, while any additional fees of Non-Executive Directors for serving on Board Committees are fixed by the Board. The Human Resources and Corporate Governance Committee has the responsibility of reviewing Directors' fees and fees for serving on Board Committees and makes recommendations to Board. These fees are reviewed on an annual basis. No Director approves his or her own remuneration. In reviewing the fees, the Committee takes into account factors including estimated time required to discharge their duties, benchmarking against other listed companies of similar market capitalisation and business, and the overall value that the individuals bring to the Group.

On behalf of the Board, I take this opportunity to convey my gratitude to my colleagues on the Human Resources and Corporate Governance Committee for their collaborative support during the year 2016.

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Roseline Nhamo
Committee Chairperson

23 February 2017

Board Risk Management and Compliance Committee Report

Rebecca Pasi - Committee Chairperson

On behalf of the Board, I take this opportunity to convey my gratitude to my colleagues on the Group Board Risk Management and Compliance Committee for their collaborative support during the year 2015. The report below describes how the Committee discharged its responsibilities in pursuit of the attainment of its strategic objectives.

Whilst market conditions have remained generally volatile and depressed throughout the year, our main thrust of putting greater emphasis on risk mitigation, appropriate internal controls, and evaluating other emerging risks have all served to keep the overall risk profile at acceptable levels. Given the challenging operating environment, we would expect a conservative approach towards risk taking to continue in the coming year.

Risk lies in every sector of our business and as such, a sound and effective risk management framework is essential to the long term stability, sustainability and development of the Group. In light of this, the Committee reviewed the Group Risk Management and Compliance Committee Terms of Reference in line with the operating environment. A disciplined approach to risk is important in a diversified organisation like ours in order to ensure that we are executing our mandate according to our strategic objectives and that we only accept risk for which we are adequately compensated.

I wish to reaffirm to you that the Board is resolute in its focus on risk management and compliance issues.

During 2016, the Board Risk Management and Compliance Committee continued to promote and oversee the strengthening of the Group's risk management and risk culture. The Committee met four times during the year.

The Committee received a report from the Group Chief Risk Management and Compliance Officer on risk and regulatory matters at each of its scheduled meetings during 2016, in which any changes to the Group's risk profile were identified and discussed. We also reviewed the risk appetite metrics that were set and adopted by the Group in line with its strategic plan.

Committee Responsibilities

The Committee assists the Board in discharging its responsibilities in overseeing, reviewing and recommending to the Board, the establishment of a risk management policy and the management of the Group's compliance with statutes, directives and internal policies.

The functions of the Committee include:

- Reviewing of the Company's risk management and compliance framework as well as setting the risk appetite;
- Reviewing of risk and compliance reports and management of risk; and Reviewing arrangements established by management for compliance with regulatory financial reporting and best practice requirements including the requirements and recommendations of relevant regulatory or supervisory bodies.

Key areas of focus during 2016

- The Group's Key Focus was on compliance and on strengthening the Group's Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) activities by reviewing its AML/CFT Policy and introducing a Group Sanctions Policy. The Committee also considered the acquisition of a suitable AML/CFT system to match the complexity of the Group's AML/CFT risk profile.
- Reviewing the risk appetite metrics operated by the Group.
- Overseeing the risk and control culture of the Group.
- Monitoring current and emerging risks affecting the Group.
- Supervising the Group risk policies and standards
- Considering developments in the regulatory environment and their implications for the Group.

The Committee also reviewed its performance against its revised terms of reference, which were adopted following the 2015 review. We found that the Committee complied with the requirements of the terms of reference.

The Committee is responsible for oversight and advice to the Board on the current risk exposures and future risk strategy, including strategy for managing assets and liabilities, and the embedding and maintenance of a supportive culture in relation to the management of risk throughout the Group.

Legal Risk

Legal risk is managed through identification and assessment of legal risk, and by minimising or mitigating legal risk as far as reasonably practical. Responsibility for legal risk lies with the Group's businesses.

Regulatory and Compliance Risk

The Compliance Division is an independent function responsible for ensuring that all compliance risks are appropriately assessed and managed across the Group. In line with the core risk management principle of risk ownership, business heads are responsible for identifying risks within their businesses and ensuring that they are managed appropriately. The Compliance Division enables business management to fulfil these supervisory responsibilities by establishing a robust and effective compliance framework, and by performing an advisory, training and monitoring role in respect of the compliance risks arising from the Group's business activities. The Compliance Division communicates and delivers on its priorities by defining and implementing a risk-based compliance program that sets out planned activities, such as the implementation and review of specific policies and procedures, compliance testing and staff training.

Reputation Risk

This is the risk of loss of long term trust placed in the Group by its stakeholders as a result of factors related to performance, strategy implementation, branding, competitiveness or any activity or action taken by the Group which can result in loss of business, market confidence and litigation.

Managing reputation risk is an essential role of Executive Management as it has the potential to impact both earnings and access to capital. The Group seeks to manage and minimise reputation risk through its Corporate Governance structure and risk management framework. The Group operates under a strong Corporate Governance structure consistent with the regulatory requirements of various regulators including the Zimbabwe Stock Exchange, Reserve Bank of Zimbabwe, the Securities Exchange Commission Zimbabwe and Insurance and Pensions and Commission. During the year 2016, the Committee reviewed and approved the Group Reputational Risk Management Policy.

The Group's reputation has remained satisfactory as we have continued to be principled and ethical within our operations.

Group Internal Audit

Internal Audit provides independent assurance to Management and the Board on the quality and effectiveness of the Group's internal control, risk management and governance systems and processes. Internal Audit provides an independent and objective assessment as to whether risks have been adequately identified; adequate internal controls are in place to manage those risks; and whether those controls are working effectively. Internal Audit is independent of both business management and the activities it reviews.

Policies that were reviewed and recommended to the Board during the year 2016 include:

- ICAAP Policy
- Group Risk Operations Policy
- Group Risk Business Continuity Policy
- Prevention of Fraud, Corruption and Theft Policy
- Whistle Blowing Protection Policy
- Code of Ethics
- Anti-Money Laundering Policy
- Sanctions Policy
- Reputational Risk Management Policy

Major Compliance developments discussed and noted by the committee in 2016

- Banking Amendment Act 12 of 2015
- Exchange Control Directives RQ 132 and ECOGAD 6/201511
- Strategy Instrument 104 of 2015, Exchange Control (Authorised Dealers with Limited Authority) Order, 2015
- Introduction of VAT and Stamp Duty on Short Term Insurance
- Directive on Alternative Training platforms (ATP)
- Directive for Cash Transactions Reports (CTR) for Financial Institutions and Designated Non-Financial Business or Profession
- Anti-Money Laundering and countering the financing of terrorism
- Statutory Instrument 80/2015 that establishes a Commission of Inquiry into the conversion process of pensions and insurance benefits from Zimbabwean Dollar to USD
- Directive from RBZ for freezing Assets of designated persons
- Statutory Instrument 76/2015 which focuses on the suppression of foreign and International Terrorism.

Key Focus Areas for the year 2016

The following are the areas of significance for the improvement and strengthening of the risk framework:

- Thematic sessions have been planned across the year to ensure that both qualitative and quantitative metrics are used;
- Further developments in monitoring the risk profile of the existing portfolio;
- Monitoring the output from the subsidiaries namely the Bank, the Insurance Operations Units and the Asset Management Units;
- Rolling review of the Risks surrounding strategic alliances.

Whilst market conditions generally have remained volatile and constrained throughout the year, the committees' increased activity, putting greater emphasis on appropriate internal controls, and other emerging external risks have all served to keep the overall risk profile elevated. Given the operating environment, the Committee would expect limited change to this heightened risk profile in the coming year.

Pasi

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Rebecca Pasi
Committee Chairperson

23 February 2017

BOARD OF DIRECTORS

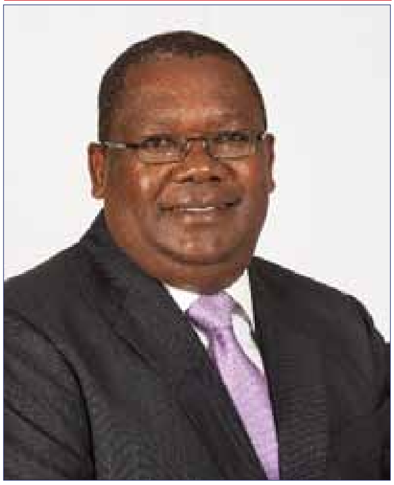
Standing from left to right: Richard Zirobwa, Roseline Nhamo, Tafadzwa Gaylord Nyamayi, Givemore Taputaira, Tsitsi Mutasa, Ruvimbo Mabeza-Chimedza, Fouad M Dernawi, Collen Chimutsa, Ian Harris.

Seated from left to right: Rebecca Pasi, Richard Dawes, Never Nyemudzo, Elliot Mugamu, Rumbidzai A Jakanani

OUR DIRECTORATE

- Executive Directors
- Independent non-executive directors
- Non -Independent Non-Executive Director Shareholder representative – National Social Security Authority (NSSA)
- Group Legal Corporate Secretary

DIRECTORS' PROFILES

		
Elliot Mugamu (age 59 years) **Nationality:- Zimbabwean**	**Never Nyemudzo (age 41 Years)** **Nationality:- Zimbabwean**	**Collen Chimutsa (age 53 Years)** **Nationality:- Zimbabwean**
Qualifications • Elliot is a final year doctorate student with the University of Lusaka. • Fellow of the Institute of Chartered Secretaries and Administrators • MBA, Thames Valley University Postgraduate Diploma in Marketing and Corporate Strategy, Thames Valley University Bachelor of Arts in Accounting, University of the South Pacific	**Qualifications** • Bachelor of Accountancy – University of Zimbabwe • Postgraduate diploma in Applied Accountancy – University of Zimbabwe • Chartered Accountant (Zimbabwe) • Master of Commerce, Strategic Management and Corporate Governance – Midlands State University	**Qualifications** • B.Acc. (Hons) University of Zimbabwe • Chartered Accountant (Zimbabwe) (CAZ)
Capacity Non-Executive director	**Capacity** Executive Director	**Capacity** Executive Director
Date of appointment: 1 April 2009	**Date of appointment** 1 April 2012	**Date of appointment** 1 May 2014
Expertise and experience Elliot started his commercial career with Unilever in 1982. From 1986 to 2002 he was Managing Director of Kingston's Limited and Chairman of Kingston's Botswana from 1993 to 2002. His past non-executive directorships include Zimbabwe Revenue Authority, Industrial Development Corporation, Sable Chemical Industries and Chemplex Corporation. Elliot, an entrepreneur and a Rotarian, brings expertise in strategic business administration and management. Currently, he is the Managing Director of Kwik-Fit Safety Centre.	**Expertise and experience** Never is a Chartered Accountant with over 12 years banking experience. He commenced his career with BDO Zimbabwe where he trained for his articles and subsequently held senior financial management roles across a variety of institutions in Zimbabwe, including the Reserve Bank of Zimbabwe, First Banking Corporation and the People's Own Savings Bank.	**Expertise and experience** Collen was appointed as Executive Director, Mortgage Finance in January 2009. He had a career at ZB Building Society spanning 10 years, where he held the position of Managing Director. Prior to that role, Collen was Finance Director of United Bottlers. Collen has an extensive background and experience in Finance leading to his appointment as Group Chief Finance Officer in 2014.
External Board appointments • Tsvigiri Engineering (Pvt) Ltd t/a Club Service Station • SAGO Investments (Pvt) Ltd • Mount Pleasant Paints Hardware (Pvt) Ltd t/a Mount Pleasant Hardware • Blackstone Bookshop • Gulliver Consolidated Limited • Cottco	**External Board appointments** None	**External Board appointments** None
Committee Membership • Board Risk Management & Compliance Committee • Board Human Resources and Corporate Governance Committee	**Committee Membership** (all by invitation) • Audit & Finance Committee • Risk Management and Compliance Committee • Human Resources and Corporate Governance Committee • Strategy and Innovation Committee	**Committee Membership** (all by invitation) • Audit & Finance Committee • Innovation and Strategy Committee • Board Risk Management & Compliance Committee

Richard Dawes (Age 54)
Nationality: Zimbabwean

Qualifications

- Bachelor of Accountancy (Honours) Degree – University of Zimbabwe

Capacity

Independent non-executive director

Date of appointment

1 January 2015

Expertise and experience

Richard has held numerous Board positions both locally and internationally. Having spent 10 years as Finance Director Thailand/Regional Finance Director-Asia, for a US Multinational (New York Stock Exchange listed) agro processing Company, Richard was also responsible for Consolidated Group Finances and Planning for a Zimbabwe Stock Exchange listed company. Gaining experience in a diversity of industries over the past 30 years, Richard is currently responsible for Group Finance, Administration and Development for a Zimbabwe agro-industry organisation.

External Board appointments

- Duefore Investments
- Dramland Investments
- Clidder Minerals

Committee Membership(s)

- Strategy and Innovation Committee
- Board Chairman CBZ Life Limited.

Ruvimbo Mabeza-Chimedza (age 64)
Nationality: Zimbabwean

Qualifications

- Ph.D – Department of Agricultural Economics and Extension, University of Zimbabwe
- MSc Agricultural Economics – University of Oxford, UK
- Postgraduate Diploma Agricultural Economics
- M.A. International Development – Clark University, Worcester, Mass, USA.
- BA International Development – Clark University, Worcester, Mass., USA.

Capacity

Independent non-executive director

Date of appointment

1 April 2012

Expertise and experience

Ruvimbo brings to the Board her substantial experience in international trade, regional integration and rural finance across Africa. Her management experiences span from being Regional Director for the Initiative for Development and Equity in African Agriculture to Head of the Department of Agricultural Economics and Extension at the University of Zimbabwe. She is a published author and has won several awards in her field of expertise including the World Bank Group-IMF Africa Forum 2000 award for outstanding contributions to Africa in Promoting gender Equality. She is actively involved in social issues and serves as trustee or board member of various organizations.

External Board appointments

- Cremz (Pvt) Limited
- Teach Zimbabwe Trust
- CIMAS Medical Laboratories
- Self Help Development Trust
- Community Development Trust

Committee Membership(s)

- Board Human Resources and Corporate Governance Committee
- Board Chairperson-CBZ Bank Limited

Givemore Taputaira (53)
Nationality:- Zimbabwean

Qualifications

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

Capacity

Independent Non-Executive Director

Date of appointment

24 June 2009

Expertise and experience

Givemore is the Managing Director of Hotel and Leisure Solutions, a C company that provides ICT solutions to the Hospitality and Leisure industry. Givemore has worked across Africa on Business Development and IT Projects. He has experience in ICT, Project Management and Business Development.

External Board appointments

- Polarvale Investments
- Bretwin Investments
- Viola Investments
- Learthrust Investments

Committee Membership(s)

- Strategy and Innovation Committee

Rebecca Pasi (age 48)
Nationality: Zimbabwean

Qualifications

- Master's in Business Administration (Gloucestershire University)
- Bachelor of Business Administration with specialization in Marketing Communications
- Diploma in Marketing Management.
- Banking and Risk Management (UNISA)

Capacity

Independent non-executive director

Date of appointment:

1 April 2009

Expertise and experience

Rebecca is the Chief Executive Officer of Bechr Group (Private) Ltd. She has experience in Business Research Methods, Economics as well as Strategic Management.

External appointment(s)

- Bechr Holdings (Pvt) Ltd
- Bechr Filing Concepts (Pvt) Ltd
- Bechr Industries (Pvt) Ltd
- Jeabe Corporate Graphics (Pvt) Ltd

Committee Membership

- Board Risk Management & Compliance Committee

Tafadzwa Gaylord Nyamayi (Age 41)
Nationality: Zimbabwean

Qualifications

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

Capacity

Independent non-executive director

Date of appointment

1 May 2016

Expertise and experience

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

External Board appointments

- Montana Meats
- Cairns Holdings
- Bregcomb Investments
- Racrod Capital Advisors

Committee Membership(s)

- Audit & Finance Committee

Tsitsi Mutasa (Age 43)
Nationality:- Zimbabwean

Qualifications

- Bachelor of Science
- BA (honours) Business Administration (UK)
- Master's in Business Administration (UK)
- Post Graduate Diploma SM (UK)
- Prince2 Practitioner
- Transformation Practitioner
- Human Resources Skills Development Facilitator (SSETA)

Capacity

Non -Independent Non-Executive Director Shareholder representative – National Social Security Authority (NSSA)

Date of appointment

1 March 2016

Expertise and experience

Tsitsi is an established professional with solid experience in Corporate and HR Governance, Programme Management and institutional capacity building, training and research. She worked for numerous international organisations including British Sky Broadcasting (BskyB) (UK & Europe), Easynet (UK) and FTSE 100 Index.

Tsitsi has over 8 years experience in the SADC, EAC and COMESA regions having conducted a number of scoping studies and evaluations on trade related projects with focus on regional & trade facilitation for PSOs and small traders.

As Head of the Zimbabwe National Code of Corporate Governance Secretariat, Tsitsi was responsible for the overall coordination and management of the various thematic area activities, project management and research.

External Board appointments

ZIMLEF

Committee Membership(s)

- Risk Management and Compliance Committee

Roseline Nhamo (Age 47)
Nationality: Zimbabwean

Qualifications

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

Capacity

Independent non-executive director

Date of appointment

24 June 2009

Expertise and experience

Rose is a leading Human Resources Practitioner in Zimbabwe. She has vast experience in Strategic Management, Organisational Development and Marketing. Rose has led consultancy projects in the region for the past 8 years. Rose is a Labour Arbitrator with Commercial Arbitration Centre. She sits on the boards of Tropical Reinsurance, Medicines Control Authority of Zimbabwe (Human Resources Committee) Safire Trust. Rose has also been involved in various assignments at National level including as Councilor on the National Manpower Advisory Council (NAMACO), ZIMDEF-Executive Advisory Committee and Labour Law Advisory Council.

External appointment(s)

- Distinctive Consultancy
- Helgesrey Construction
- Imaldape Electrical Services
- Valuefin Investments

Committee Membership(s)

- Human Resources and Corporate Governance Committee
- Board Chairperson – CBZ Insurance Private Limited

Richard Zirobwa (Age 54)
Nationality: Zimbabwean

Qualifications

- BSc Engineering (Honours) Degree – University of Zimbabwe

Capacity

Independent non-executive director

Date of appointment

1 January 2015

Expertise and experience

Richard is a business executive, offering over two decades of commercial experience in the local and regional markets. He is the immediate past Chief Executive Officer of ART Corporation, a company he joined in 1989 as an Electrical Engineer. He rose through various positions within ART Corporation until he was appointed CEO in 2002, a position he held for 13 years. Richard is an Engineer by profession.

External Board appointments

- Nil

Committee Membership(s)

- Audit and Finance Committee
- Board Chairman- CBZ Asset Management

Ian Harris (Age 57)
Nationality:- Zimbabwean

Qualifications

- BCom Degree (Accounting) Rhodes University, Grahamstown, RSA
- Chartered Accountant (RSA)

Capacity

Independent Non-Executive Director

Date of appointment

1 January 2015

Expertise and experience

Ian is a Chartered Accountant (SA). He has a wide range of financial accounting and corporate finance experience in several industrial, financial, banking, and mining groups in Southern Africa, including Delta Corporation, Zimbabwe Sun Hotels, Merchant Bank of Central Africa, Anglo American Corporation Zimbabwe, Mintails Limited SA, African Consolidated Resources (now Vast Resources). He is currently a shareholder and Executive Director of H&H Micro Finance Private Limited, a Zimbabwean registered microfinance institution.

External Board appointments

- Medical Investments Limited
- Pam Golding Properties Zimbabwe
- H & H Microfinance
- Sail Investments

Committee Membership(s)

- Audit and Finance Committee

Fouad Moktar Dernawi (Age 63) Nationality: Lybian	Rumbidzayi Angeline Jakanani (age 39) Nationality: Zimbabwean
Qualifications • Bachelor of Science in Electrical Engineering – England • Computer Programming COBOL – RPG – London Computer Institute • Professional Diploma in Computer Systems – Jordan • Diploma in Banking and Finance – Arab Institute of Banking and Financial Studies	**Qualifications** • Master of Laws in International Economic Law-University of Warwick. • Bachelor of Law Honours University of Zimbabwe
Capacity Non-independent Non-Executive Director (Shareholder representative for the Lybian Foreign Bank)	**Capacity** Group Legal Corporate Secretary
Date of appointment 24 June 2009	**Date of appointment** 2012
Expertise and experience Fouad is an Engineer with vast experience in information and communication technology. He is an Operations Officer within the Libyan Foreign Bank.	**Expertise and experience** Rumbidzayi is a lawyer by profession, having previously worked for Stumbles and Rowe Legal Practitioners as a civil and criminal lawyer. She worked in her capacity as Manager Corporate Governance and Compliance, CBZ Bank Limited (2005) and Legal Corporate Secretary (2009) until her appointment as Group Legal Corporate Secretary in 2012.
External Board appointment(s) None	
Committee Membership(s) • Strategy and Innovation Committee • Board Risk Management & Compliance Committee	

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

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COLLEN CHIMUTSA
GROUP CFO

23 February 2017

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NEVER NYEMUDZO
GROUP CEO

23 February 2017

Building a better working world

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Chartered Accountants (Zimbabwe)
Registered Public Auditors
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Independent Auditor's Report
To the Shareholders of CBZ Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated and separate financial statements of CBZ Holdings Limited (the Group) set out on pages 108 to 186 which comprise the consolidated and company statement of financial position as at 31 December 2016, and the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity and the consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated and Company financial position of CBZ Holdings Limited as at 31 December 2016, and its consolidated and Company financial performance and its consolidated and Company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03).

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters (continued)

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

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Issue 2 : Impairment of loans and advances</td></tr>
<tr><td>The major risk relating to loans and advances is credit risk which is largely influenced by the current macro-economic environment which is characterised by: increase in non -performing loans, low liquidity and business performance constraints.
Significant judgement is exercised by Management in assessing the impairment of advances. Impairment is determined by reference to the repayment capacity of the obligor which is driven by their payment history and financial position, condition and value of collateral offered. Due to the size of the Group’s loan book we identified impairment of loans and advances as representing a significant risk of material misstatement.

Management are responsible for evaluation and assessment of the credit extension processes and whether adequate allowances have been made for uncollectible loans.

• There is subjectivity involved in determination of the amounts of advances deemed uncollectible and requiring impairment by Management. The determination of uncollectible amounts is based on a client by client basis and involves judgement
• The impairment of loans and advances is subject to the need to comply with the International Accounting Standard (IAS 39) Financial Instruments- Recognition and Measurement’ and Reserve Bank of Zimbabwe (RBZ) loan provisioning guidelines.
• The matter required significant interactions between the auditor and Management.

We refer to note 1.2 (accounting policies) and note 12 of the financial statements for disclosures relating to loans and advances.</td><td>In evaluating the adequacy of impairment of loans and advances we performed the following procedures
• Tested internal controls over the credit granting and monitoring and assessed whether these were in accordance with laid down Group policies and procedures.
• We analysed customer payment trends during the year and period after year end but before the issuance of the financial statements.
• We reviewed financial performance, financial position, cash flows and future projections for selected material advances.
• Reviewed security for selected loans and advances and assessed whether it adequately covered the outstanding loan balance.
• Tested the valuation of security pledged on the loan balances by comparing its values to recent market valuations.
• We selected material advances and analysed the accuracy of the classification of loans into various credit quality portfolios as prescribed by the RBZ loan provisioning guidelines.
• We assessed the accuracy of Management’s assigned grading into the different RBZ grading guidelines determined on the current market values of security, correspondence received from legal counsel, customers deposit performance and general information available from the market on the customers’ financial position.
• We compared the grades used by Management with the rates used to determine provision per the RBZ guidelines.
• Where trade receivable balances are past due and Management have not impaired these balances on the basis of customer commitments to payment plans we reviewed the plans and post year end movements in balances as well as adherence to payment plans.</td></tr>
</table>

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the matter
Issue 3 : Valuation and existence of financial assets (Treasury Bills)	
The Group carries a material portfolio of Treasury Bills on its financial statements. • There is inherent complexity in accounting and disclosure requirements of financial assets per IFRS guidance. • The significance of these financial assets on the Group's statement of financial position is high. • The measurement of these Treasury Bills is subjective due to the absence of an active market for trading of Treasury bills which makes fair value determination and comparability subjective. The Group's accounting policy on recognition and measurement of Treasury Bills is disclosed on Note 1.7 of the financial statements.	Our audit procedures encompassed the following: • Review of Management's recognition and classification criteria relative to the requirements of IFRS and guidance issued by regulatory bodies. • Review of Management's measurement criteria relative to the requirements of IFRS, particularly on fair value measurement and disclosures. • Recalculated the value of the Treasury Bills in line with Management's measurement principle and assessed that the Treasury Bills were appropriately valued. • We made an assessment of whether the Management coupon rate in use is in line with that prevailing for similar bills issued on the market. • Confirmation of existence with the Central Security Depository (CSD), or with other financial institutions where these instruments were lodged as security for any inter-bank positions. • Performed impairment tests by inspecting the schedule of Treasury Bills maturing during the current year and agreeing these to payment confirmation from the contracting party in order to satisfy ourselves that there were no instances of default. • We compared the payment date to the maturity date to ensure that matured Treasury Bills were settled on time. • We inspected the schedule of Treasury Bills for evidence of any that would have been rolled forward as this would be an indicator of impairment.

Key Audit Matter	How our audit addressed the matter
Issue 4 : Susceptibility of Suspense accounts to fraud	
The banking operation has suspense accounts which are a feature in its day to day operations. Suspense accounts are a high risk area given the nature of banking operations and their general susceptibility to fraudulent transactions. The matter is of significance to the audit as a high volume of transactions are recorded in suspense accounts pending authorisations or clearance with other financial institutions. In addition suspense accounts are by their nature susceptible to fraud especially in the current macro-economic environment characterised by financial pressure from employees.	We performed the following procedures in our validation of entries made in suspense accounts: • We obtained detailed understanding of the significant suspense accounts in use. • We identified controls implemented by Management and tested a sample of those that were relevant to our audit so as to ensure they were implemented during the year under review. • Significant suspense accounts were reviewed, with emphasis on unusual items and long outstanding items. • We traced significant transactions to supporting documentation and checked for subsequent clearance.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the matter
Issue 5 : Valuation of Investment Property	
The valuation of investment properties is of a subjective nature due to the use of judgment, estimates and assumptions in determining fair values. These judgements have a higher estimation uncertainty as a result of the absence of an active property market due to the current liquidity constraints in Zimbabwe. Management engages an external valuation expert to determine the fair value of its investment property portfolio. As disclosed in note 1.3 and 18 of the financial statements, the Group uses the following approaches to determine the fair value of its investment property: **Commercial Properties** Commercial properties were valued using the Income Capitalisation Method. Key Observable inputs considered in the valuation of commercial properties were; • Rental yield • Lettable areas **Land and Residential Properties** With regards to market values for land and residential properties, the comparison method was used. Under this method, a property's fair value is estimated based on comparable transactions.	We used our own valuation specialists to assist us in performing our audit procedures in this area, which included: • Evaluation of whether the method of measurement used is appropriate in the circumstances and whether in line with acceptable industry practice. • Evaluation of whether the model used to develop the estimate is appropriate. • Reviewing of whether assumptions used by management are reasonable given the measurement requirements of International Financial Reporting Standards (IFRS). • Evaluation of whether data on which the estimate is based is accurate, complete and relevant by performing recalculations and inspecting source documents. • Comparisons of values derived by comparing with other comparable properties within the market and economic information. • Testing the accuracy of values derived through performance of recalculations of underlying calculations and inspecting source documents. • Evaluating the model used in determining the value of the properties and the yield rates used. Evaluating the values derived by comparing with other comparable properties within the market and economic information, as well as testing the underlying calculations. • Performing sensitivity analyses on the key assumptions i.e. rental rate per square meter, annual rental and annual yield used in the model.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><th colspan="2">Issue 6 : Valuation of Policy Holder Liabilities</th></tr>
<tr><td>Policyholder liabilities are Management’s best estimate of the ultimate cost of claims where the loss event has occurred prior to reporting date, but which has not been reported.
Significant uncertainty pertains to the determination of these liabilities and Management’s best estimate of the ultimate cost of claims is guided by past trends using acceptable actuarial modelling techniques. Management engaged independent actuaries to determine the value of the Incurred But Not Reported (IBNR) reserve as required by the Insurance and Pensions Commission (IPEC).
The Group uses historical averages for the valuation of IBNR. As disclosed in note 1.2 of the financial statements the major assumptions were as follows per product line:

Credit Life
• The IBNR is estimated as 0.75 expected deaths per month per 1000 lives assured multiplied by the average sum assured. These expected claim payments are then decreased relative to the elapsed time from each month end to the end of the year on the assumption that all claims should have been notified within 10 months of the date of death.

Funeral Business
• An estimate of the IBNR reserve was made based upon a claims ratio of 70% of the risk premiums and assuming all claims would be reported within one month.

Short term Insurance IBNR
The IBNR is determined using the statistical methods. The Bornhuetter Ferguson method was used which assumes that past experience is indicative of future experience i.e. that claims recorded to date will continue to develop in a similar manner to the future as they have developed in the past.</td><td>We used our own actuarial specialists to assist us in performing our audit procedures in this area, which included:

a) The evaluation of the Management assumptions used in the historical averages and the models for the valuation of the IBNR by reference to historical data
b) Determining whether the liability recorded at the reporting date and events occurring up to the date of our auditor’s report provide audit evidence regarding the accounting estimate by:

• Evaluation of whether the method of measurement used is appropriate in the circumstances.
• Evaluation of whether the model used to develop the estimate is appropriate.
• Evaluation of whether data on which the estimate is based is accurate, complete and relevant by performing recalculations and inspecting source documents.
• Evaluating whether the values arrived at were within range with those arrived at using alternative models.
• Evaluating whether the amounts recorded are an accurate estimate of the liability by performance of back test recalculations of historical estimates and comparing them with actual.</td></tr>
</table>

Key Audit Matter	How our audit addressed the matter
Issue 7 : Completeness and disclosure of related party transactions	
The completeness and disclosure of related party transactions was an area of most significance to the audit due to the following: • Due to the size and nature of operations of CBZ Holdings Limited, there is risk of completeness and inappropriate disclosure of related party transactions and balances. • In addition the banking operations are required to provide information on insider loans by RBZ and so there is risk that some insider loans may not be correctly identified.	We performed the following audit procedures: • Reviewed procedures implemented by Management to identify and record related party transactions. • Obtained and reviewed the registers of Directors' interests in contracts to test the completeness of identified related parties. • Obtained confirmations for related party transactions and balances. • Assessed disclosures for compliance with IAS 24 'Related Parties – Disclosures'. • Reviewed the consolidation workings for accuracy and proper elimination of intercompany transactions and balances.

Other Information

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young

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Ernst and Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

23 FEBRUARY 2017

Consolidated Statement of Profit or Loss
and Other Comprehensive Income
for the year ended 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
Interest income	2	181 182 497	203 921 398
Interest expense	2	(99 582 030)	(94 795 719)
Net interest income		**81 600 467**	**109 125 679**
Net non-interest income	3	69 078 973	62 582 558
Underwriting income	4	8 305 755	10 543 865
Total income		**158 985 195**	**182 252 102**
Operating expenditure	5	(110 644 376)	(117 856 789)
Operating income		**48 340 819**	**64 395 313**
Charge for impairment	13.2/12.5	(19 847 256)	(23 510 196)
Profit before taxation		**28 493 563**	**40 885 117**
Taxation	6	(4 708 102)	(5 647 792)
Profit for the year after taxation		**23 785 461**	**35 237 325**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Gains on property revaluation		517 426	395 318
Deferred income tax relating to components of other comprehensive income	6.1	(53 403)	(75 150)
Other comprehensive income for the year, net of taxation		**464 023**	**320 168**
Total comprehensive income for the year		**24 249 484**	**35 557 493**
Profit for the year attributable to:			
Equity holders of parent		23 689 820	35 083 635
Non-controlling interests	27.7	95 641	153 690
Profit for the year		**23 785 461**	**35 237 325**
Total comprehensive income attributable to:			
Equity holders of parent		24 153 843	35 403 803
Non-controlling interests	27.7	95 641	153 690
Total comprehensive income for the year		**24 249 484**	**35 557 493**
Earnings per share (cents):			
Basic	7.1	4.53	6.52
Fully diluted	7.1	4.40	6.34

Consolidated Statement of Financial Position

as at 31 December 2016

	Note	31 Dec 2016 US$	31 Dec 2015 US$
ASSETS			
Balances with banks and cash	9	73 482 774	42 522 322
Money market assets*	10	37 512 007	200 683 145
Financial Securities*	11	760 536 057	471 930 295
Loans and advances to customers	12	1 007 172 157	1 020 968 516
Insurance assets	13	4 851 887	5 189 347
Equity investments	15	7 826 107	7 233 272
Other assets	14	71 450 097	99 765 863
Current tax receivable		3 692 462	1 756 423
Intangible assets	19	2 697 421	1 509 346
Investment properties	18	32 601 223	27 944 072
Property and Equipment	17	72 220 038	77 684 389
Deferred taxation	20.1	12 566 810	17 171 546
TOTAL ASSETS		**2 086 609 040**	**1 974 358 536**
LIABILITIES			
Deposits	21	1 777 154 753	1 684 277 828
Insurance liabilities	22	6 470 950	4 955 722
Other liabilities	24	13 859 233	15 800 251
Current tax payable		295 265	238 090
Life Fund	23	1 844 992	3 360 688
Life assurance Investment contract liabilities	25	1 517 121	1 314 713
Deferred taxation	20.1	2 359 408	2 534 187
TOTAL LIABILITIES		**1 803 501 722**	**1 712 481 479**
EQUITY			
Share capital	27.1	6 868 288	6 867 689
Share premium	27.2	40 008 086	40 001 416
Treasury shares	27.3	(17 588 582)	(16 810 640)
Revaluation reserve	27.4	27 089 982	26 625 959
Share option reserve	27.5	1 101 026	1 032 565
Revenue reserves	27.6	225 085 611	203 691 964
Equity attributable to Equity holders of the parent		**282 564 411**	**261 408 953**
Non-controlling interests	27.7	542 907	468 104
TOTAL EQUITY		**283 107 318**	**261 877 057**
TOTAL LIABILITIES, EQUITY		**2 086 609 040**	**1 974 358 536**

*Treasury bills, previously disclosed as part of money market assets in prior year, have been segmented according to maturity and disclosed as financial securities. This disclosure has been applied retrospectively. Amounts of $471 930 295 previously disclosed under money market assets have therefore been reclassified to financial securities within the 2016 statement of financial position. Attendant notes have been adjusted to follow the new classification.

E.Mugamu
GROUP CHAIRMAN

N. Nyemudzo
GROUP CHIEF EXECUTIVE OFFICER

R. A. Jakanani
GROUP LEGAL CORPORATE SECRETARY

23 February 2017

Consolidated Statement
of Changes In Equity
for the year ended 31 December 2016

2015	Share capital US$	Share premium US$	Treasury shares US$	Revaluation reserve US$	Share option reserve US$	Revenue reserve US$	Total Equity attributable to the parent US$	Non-controlling interests US$	Total US$
Opening balance	6 866 065	39 983 305	(13 503 280)	26 305 791	907 067	170 846 270	231 405 218	284 414	231 689 632
Total comprehensive income	-	-	-	320 168	-	35 083 635	35 403 803	153 690	35 557 493
Treasury shares acquisition	-	-	(3 307 360)	-	-	-	(3 307 360)	-	(3 307 360)
Rights issue(Subsidiary)	-	-	-	-	-	-	-	30 000	30 000
Employee share option expense	-	-	-	-	130 930	-	130 930	-	130 930
Exercise of share options	1 624	18 111	-	-	(5 432)	-	14 303	-	14 303
Dividend paid	-	-	-	-	-	(2 237 941)	(2 237 941)	-	(2 237 941)
Closing Balance	**6 867 689**	**40 001 416**	**(16 810 640)**	**26 625 959**	**1 032 565**	**203 691 964**	**261 408 953**	**468 104**	**261 877 057**

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

Consolidated Statement of Cash flows

for the year ended 31 December 2016

	31 Dec 2016 US$	31 Dec 2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**28 493 563**	**40 885 117**
Non-cash items:		
Depreciation	7 351 264	7 237 948
Amortisation of intangible assets	977 107	370 270
Impairment of property and equipment	160 884	74 270
Impairment of land inventory	414 825	2 085 672
Fair value adjustments on investment properties	1 015 269	951 370
Unrealised (gain) / loss on foreign currency position	259 340	(1 228 415)
Fair value adjustments on financial instruments	(442 833)	571 082
Impairment on advances and Insurance Assets	19 847 256	23 510 196
Unearned premium reserve movement	(961 828)	1 477 315
Provision for Incurred But Not Reported claims (IBNR)	(519 379)	449 269
Deferred commission movement	124 292	(292 214)
(Profit) / Loss on sale of property and equipment	(40 629)	45 125
Employee share option expense	70 461	130 930
Operating cash inflow before changes in operating assets and liabilities	**56 749 592**	**76 267 935**
Changes in operating assets and liabilities		
Deposits	92 617 585	146 723 004
Loans and Advances to customers	(81 431 426)	(93 627 916)
Money market assets	(42 314 131)	(112 487 712)
Financial securities	17 488 992	(26 380 435)
Life assurance Investment contract liabilities	202 408	401 940
Insurance assets	(82 263)	(1 450 478)
Insurance liabilities	1 523 214	325 422
Other assets	2 668 166	(8 726 974)
Other liabilities	(1 940 500)	4 275 470
	(11 267 955)	**(90 947 679)**
Corporate tax paid	(2 210 411)	(5 944 734)
Net cash inflow / (outflow) from operating activities	**43 271 226**	**(20 624 478)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(150 002)	5 288 531
Purchase of investment properties	(1 642 209)	(49 053)
Proceeds on disposal of property and equipment	112 060	150 611
Purchase of property and equipment	(6 461 170)	(9 622 586)
Purchase of intangible assets	(1 079 769)	(415 715)
Net cash outflow from investing activities	**(9 221 090)**	**(4 648 212)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of employee share options	5 269	14 303
Treasury shares acquisition	(777 942)	(3 307 360)
Rights issue (Non-Controlling Interest)	20 600	30 000
Dividends paid	(2 337 611)	(2 237 941)
Net cash outflow from financing activities	**(3 089 684)**	**(5 500 998)**
NET INCREASE / (DECREASE) IN BALANCES WITH BANKS AND CASH	**30 960 452**	**(30 773 688)**
Balances with banks and cash at the beginning of the year	42 522 322	73 296 010
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	**73 482 774**	**42 522 322**

GROUP ACCOUNTING POLICIES

1 GROUP ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

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

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

Basis of consolidation

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

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

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Fair value measurement principles

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

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

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

Also refer to notes 17 and 18.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment on loans and advances

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

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

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

Estimation of property and equipment useful life

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

Estimation of property and equipment residual values

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

Valuation of equity investments

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

Incurred but Not Reported (IBNR) insurance claims

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

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

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Life Fund

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

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

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

1.3. INVESTMENT PROPERTIES

Recognition criteria

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

Transfers to and from investment properties

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

Derecognition

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

1.4 PROPERTY AND EQUIPMENT

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

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

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

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

1.4 PROPERTY AND EQUIPMENT (continued)

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

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

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

1.5 FOREIGN CURRENCIES

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

1.6 TAXATION

Deferred taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences except:

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

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

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

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

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

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

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

1.6 TAXATION (continued)

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

Current taxation

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

Capital gains tax

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

Value added tax

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

1.7 FINANCIAL ASSETS

Initial Recognition

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

1.7 FINANCIAL ASSETS (continued)

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

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification but other long-term investments that are intended to be held to maturity such as bonds are included. Held-to-maturity instruments are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal payments plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired as well as through the amortisation process. The Group currently does not have held to maturity investments.

Loans and receivables

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

Available-for-sale financial assets

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

Fair value of financial instruments

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

Investment in subsidiaries

Investment in subsidiaries are measured at cost.

Balances with banks and cash

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

1.7 FINANCIAL ASSETS (continued)

Offsetting arrangements

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

1.8 FINANCIAL LIABILITIES

Initial recognition

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

Subsequent measurement

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

Deposits and other liabilities

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

1.9 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

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

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

Financial liabilities

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

1.10 IMPAIRMENT

Financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of

1.10 IMPAIRMENT (continued)

Financial assets (continued)

one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

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

Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less cost of disposal and its value in use and is determined

1.10 IMPAIRMENT (continued)

Non-financial assets (continued)

for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. Impairment of continuing operations is recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining useful life.

1.11 REVENUE RECOGNITION

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

Trading income

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

Interest income

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

Interest expense

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

Commission and fee income

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

Services rendered

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

Dividends

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

Land inventory

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

Premiums

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the financial

1.11 REVENUE RECOGNITION (continued)

reporting date to recognise retrospective adjustments to premiums or commissions. The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern or reinsurance service received. A portion of outwards reinsurance premiums is treated as prepayments.

Commission receivable

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

1.12 BASIS OF ACCOUNTING FOR UNDERWRITING ACTIVITIES.

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

Claims

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

Unexpired risk provision

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

Liability adequacy test

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

Insurance and investment contracts

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

Insurance assets

These comprise reinsurance receivables and deferred acquisition costs.

Reinsurance contracts held

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

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

1.12 BASIS OF ACCOUNTING FOR UNDERWRITING ACTIVITIES (continued)

Acquisition costs

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

Lapses and reversals

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

Reversals

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

Premium taxes

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

1.13 EMPLOYEE BENEFITS

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

Short-term benefits

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

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

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

Employee share option scheme

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

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

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

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

1.14 CONTINGENCIES AND COMMITMENTS

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

1.15 OPERATING SEGMENTS

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

1.16 FIDUCIARY ACTIVITIES

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

1.17 FINANCIAL GUARANTEES

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

1.18 EARNINGS PER SHARE

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

1.19 INTANGIBLE ASSETS

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

1.20 LEASED ASSETS

Group as lessee

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

Group as Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease

1.20 LEASED ASSETS (continued)

are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income .Contingent rents are recognised as revenue in the period in which they are earned.

1.21 SHARE CAPITAL

Ordinary share capital

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

1.22 RELATED PARTIES

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

1.23 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. The Group did not capitalise any borrowing costs during the year.

1.24 FAIR VALUE MEASUREMENT

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

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

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

1.25 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New and amended standards and interpretations effective in the current year. The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1.25 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

None of the amendments and improvements to existing standards that became effective for the Group in the current year had a material impact on the Group's financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group plans to adopt the new standard on the required effective date. During 2016 the group has performed a high-level impact on classification and measurement, impairment which will materially affect the group. Training was conducted by a third party consultancy firm and gap analysis is due to be conducted by end of March.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group is still assessing the impact of the standard on its contracts with customers. High level assessment to be done by half year.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right of use asset). Effective for annual periods beginning on or after 1 January 2019. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

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CBZ HOLDINGS

Partners For Success

1. INCORPORATION AND ACTIVITIES

The consolidated financial results of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2017. The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance risk advisory and other financial services and is incorporated in Zimbabwe.

2. INTEREST

	31 Dec 2016 US$	31 Dec 2015 US$
Interest income		
Bankers acceptances	426 719	1 169 250
Overdrafts	83 566 563	104 611 137
Loans	31 171 452	44 913 275
Mortgage interest	15 245 319	17 892 448
Staff loans	3 461 439	3 236 028
Securities Investments	46 618 912	33 555 160
Other investments	692 093	(1 455 900)
	181 182 497	**203 921 398**
Interest expense		
Call deposits	1 606 055	1 432 904
Savings deposits	37 190 539	17 911 314
Money market deposits	46 856 513	62 530 023
Other offshore deposits	13 928 923	12 921 478
	99 582 030	**94 795 719**
NET INTEREST INCOME	**81 600 467**	**109 125 679**

3. NET NON-INTEREST INCOME

	31 Dec 2016 US$	31 Dec 2015 US$
Fair value adjustments on financial instruments	442 833	(571 082)
Fair value adjustments on investment properties	(1 015 269)	(951 370)
Net income from foreign currency dealings	2 949 485	3 474 727
Unrealised (loss) / gain on foreign currency	(259 340)	1 228 415
Commission and fee income	56 482 839	48 186 788
Profit/ (Loss) on disposal of assets	40 629	(45 125)
Bad debts recovered	1 876 455	5 999 079
Property sales	5 372 866	2 499 574
Rental income	2 374 553	1 583 334
Other operating income	813 922	1 178 218
	69 078 973	**62 582 558**

		31 Dec 2016 US$	31 Dec 2015 US$
4.	**UNDERWRITING INCOME (NET)**		
	Gross premium insurance	19 211 234	22 802 845
	Reinsurance	(5 413 120)	(5 314 424)
	Net written premium	**13 798 114**	**17 488 421**
	Unearned premium	961 828	(1 477 315)
	Net earned premium	**14 759 942**	**16 011 106**
	Net claims (a)	(5 633 032)	(4 702 935)
	Net commission (b)	(821 155)	(764 306)
		8 305 755	**10 543 865**
(a)	**Net claims**		
	Gross claims incurred	9 468 920	6 284 838
	Reinsurance claims	(3 316 509)	(2 031 172)
	Incurred but not yet reported claims	(519 379)	449 269
		5 633 032	**4 702 935**
(b)	**Net commission**		
	Commission received	1 224 022	1 247 704
	Commission paid	(1 920 885)	(2 304 224)
	Deferred acquisition costs	(124 292)	292 214
		(821 155)	**(764 306)**
5.	**OPERATING EXPENDITURE**		
	Staff costs	54 291 008	58 701 491
	Other administration expenses	46 860 526	48 860 300
	Audit fees	588 762	526 838
	Depreciation	7 351 264	7 237 948
	Amortisation of intangible assets	977 107	370 270
	Impairment of fixed assets	160 884	74 270
	Impairment of land inventory	414 825	2 085 672
		110 644 376	**117 856 789**

Remuneration of directors / key management personnel (Included in staff costs)

Fees for service as directors	1 043 050	1 010 402
Pension for past and present directors	673 710	690 059
Salaries and other benefits	7 679 172	9 361 860
	9 395 932	**11 062 321**

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

Non –cancellable lease rentals are payable as follows:

Less than 1 year	1 638 641	167 014
Between 1 and 5 years	1 656 450	1 869 359
More than 5 years	-	944 678
	3 295 091	**2 981 051**

The Group leases a number of buildings under operating leases. The buildings are mainly used by the bank for its various branches. The leases run for a period of 5 years with an option to renew the lease after the expiry date. During the year ended 31 December 2016, an amount of US$1 925 601 (December 2015: US$ 2 072 384) was recognised as rental expense in the statement of profit or loss and other comprehensive income.

6 TAXATION

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

	31 Dec 2016 US$	31 Dec 2015 US$
Current tax	331 547	5 751 644
Deferred tax	4 376 555	(103 852)
Income tax expense	**4 708 102**	**5 647 792**

6.1 Tax effects relating to other comprehensive income

	31 Dec 2016 US$	31 Dec 2015 US$
Tax expense on revaluation of property and equipment	**53 403**	**75 150**

6.2 Tax rate reconciliation

	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Non-deductible expenses	52.57	46.66
Exempt income	(60.94)	(57.91)
Tax credit	(0.86)	(0.69)
Effective tax rate	**16.52**	**13.81**

7. EARNINGS PER SHARE

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

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

7. EARNINGS PER SHARE (continued)

		31 Dec 2016 US$	31 Dec 2015 US$
7.1	**Earnings per share (cents)**		
	Basic	4.53	6.52
	Fully diluted	4.40	6.34
7.2	**Earnings**		
	Basic earnings (earnings attributable to equity holders of parent)	23 689 820	35 083 635
	Fully diluted earnings	23 689 820	35 083 635
	Number of shares used in calculations (weighted)	**Shares**	**Shares**
	Basic earnings per share	523 252 082	538 013 960
	Fully diluted earnings per share	538 430 359	553 229 658
7.3	**Reconciliation of denominators used for calculating basic and diluted earnings per share:**		
	Weighted average number of shares before		
	Adjustment for treasury shares	686 806 364	686 551 277
	Less: Treasury shares held	(163 554 282)	(148 537 317)
	Weighted average number of shares used for basic EPS	**523 252 082**	**538 013 960**
	Potentially dilutive shares	15 178 277	15 215 698
	Weighted average number of shares used for diluted EPS	**538 430 359**	**553 229 658**

8. DIVIDENDS

	31 Dec 2016 US$	31 Dec 2015 US$
Cash dividends on ordinary shares declared and paid:		
Final dividend paid	1 114 560	1 096 602
Interim dividend paid	1 223 051	1 141 339
	2 337 611	**2 237 941**
Interim dividend per share (cents)	0.23	0.21
Final dividend per share (cents)	0.21	0.20

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

Proposed dividends on ordinary shares:		
Final cash dividend	**1 602 155**	**1 456 505**
Final dividend per share	0.23	0.21

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 2016.

	31 Dec 2016 US$	31 Dec 2015 US$

9. BALANCES WITH BANKS AND CASH

	31 Dec 2016 US$	31 Dec 2015 US$
Cash	9 427 759	16 237 934
Nostro accounts	18 878 945	3 866 923
Balance with the Reserve Bank of Zimbabwe	45 172 652	22 406 112
Interbank clearing accounts	3 418	11 353
	73 482 774	**42 522 322**

10. MONEY MARKET ASSETS

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

	31 Dec 2016 US$	31 Dec 2015 US$
AMA Bills	1 912 000	2 262 000
Agro bills	1 420 000	626 250
Treasury placements	32 783 045	184 575 082
Aftrades	635 656	-
ZETDC	546 333	-
Bankers acceptances	-	12 035 037
Accrued interest	214 973	1 184 776
	37 512 007	**200 683 145**

10.1 Maturity analysis

Maturity analysis of money market assets is shown below

	31 Dec 2016 US$	31 Dec 2015 US$
Between 0 and 3 months	32 340 662	195 973 462
Between 3 and 6 months	909 447	3 873 431
Between 6 months and 12 months	4 261 898	836 252
	37 512 007	**200 683 145**

11. FINANCIAL SECURITIES

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

	31 Dec 2016 US$	31 Dec 2015 US$
Treasury bills	751 645 905	465 574 969
Accrued interest	8 890 152	6 355 326
	760 536 057	**471 930 295**

Maturity analysis

Maturity analysis of financial securities is shown below

	31 Dec 2016 US$	31 Dec 2015 US$
Between 0 and 3 months	46 657 787	15 041 437
Between 3 and 6 months	1 510 156	-
Between 6 and 12 months	26 341 510	5 903 855
Between 1 and 5 years	156 643 663	188 105 232
Above 5 years	529 382 941	262 879 771
	760 536 057	**471 930 295**

Maturity analysis is based on the remaining period from 31 December 2016 to contractual maturity.

12. LOANS AND ADVANCES TO CUSTOMERS

	31 Dec 2016 US$	31 Dec 2015 US$
Overdrafts	528 694 701	622 332 605
Commercial Loans	365 701 540	292 438 437
Staff loans	57 455 489	55 485 183
Mortgage advances	106 829 953	104 106 092
	1 058 681 683	**1 074 362 317**
Interest accrued	9 292 767	21 544 908
Total gross loans and advances to customers	**1 067 974 450**	**1 095 907 225**
Impairment provision (including interest in suspense)	(60 802 293)	(74 938 709)
	1 007 172 157	**1 020 968 516**

12.1 Sectoral analysis

	31 Dec 2016 US$	%	31 Dec 2015 US$	%
Private	191 112 349	18	156 219 389	15
Agriculture	250 771 986	24	310 735 698	29
Mining	9 764 786	1	11 264 816	1
Manufacturing	100 708 876	9	155 904 814	14
Distribution	114 916 923	11	219 593 068	20
Construction	7 105 680	1	5 371 935	-
Transport	12 209 680	1	13 246 917	1
Communication	11 884	-	2 133 707	-
Services	153 633 755	14	199 597 725	18
Financial organisations	227 738 531	21	21 839 156	2
	1 067 974 450	**100**	**1 095 907 225**	**100**

12.2 Maturity analysis

	31 Dec 2016 US$	31 Dec 2015 US$
Less than 1 month	453 831 069	440 514 893
Between 1 and 3 months	45 289 663	48 954 744
Between 3 and 6 months	15 710 628	99 587 999
Between 6 months and 1 year	71 812 691	162 491 291
Between 1 and 5 years	115 948 102	176 839 758
More than 5 years	365 382 297	167 518 540
	1 067 974 450	**1 095 907 225**

Maturity analysis is based on the remaining period from 31 December 2016 to contractual maturity.

12. LOANS AND ADVANCES TO CUSTOMERS (continued)

12.3 Loans to directors, key management and employees

Loans to directors and key management

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

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	6 886 820	6 605 193
Advances made during the year	611 259	852 990
Repayments during the year	(656 406)	(571 363)
Closing balance	**6 841 673**	**6 886 820**
Loans to employees		
Included in advances are loans to employees		
Opening balance	48 598 363	44 378 749
Advances made during the year	6 680 242	8 854 810
Repayments during the year	(4 664 788)	(4 635 196)
Closing balance	**50 613 817**	**48 598 363**
12.4 Non performing advances		
Total advances on which interest is suspended	**70 622 426**	**76 071 314**
12.5 Impairment Provisions		
Opening balance	74 938 709	65 831 958
Charge for impairment on advances	19 594 299	23 273 886
Interest in suspense	(1 057 208)	10 113 912
Amounts written off during the year	(32 673 507)	(24 281 047)
Closing balance	**60 802 293**	**74 938 709**
Comprising:		
Specific impairments	33 231 459	37 802 734
Portfolio impairments	27 570 834	37 135 975
	60 802 293	**74 938 709**
12.6 Collaterals		
Mortgage bonds	932 012 190	856 592 104
Notarial general covering bonds	760 371 701	788 254 088
Cash cover	14 093 465	203 582 970
	1 706 477 356	**1 848 429 162**

12.7 Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Group renegotiates loans to customers in order to maximize collection opportunities, retention of customers and response to changing market and regulatory conditions. The modified loans are accounted for as a new facility. The revised terms usually include extending the maturity, changing the timing and rates of interest payments and amending the terms of loan covenants. Both retail and corporate loans may be subjected to renegotiation. The Group, periodically assesses renegotiated loans. As at 31 December 2016, the Group is satisfied that there is no significant increase in financial risk due to the renegotiations entered into and allowed during the course of the year.

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	31 Dec 2016 US$	31 Dec 2015 US$
13. INSURANCE ASSETS		
Reinsurance unearned premium reserve	1 300 868	1 531 253
Reinsurance receivables	1 608 046	1 025 196
Deferred acquisition cost	679 407	848 819
Insurance premium receivables	1 393 082	1 916 690
Suspended premium	(129 516)	(132 611)
	4 851 887	**5 189 347**
13.1 Reinsurance unearned premium reserve		
Unearned premiums at the beginning of the year	1 531 253	1 259 712
Written premiums	5 292 959	5 546 294
Premium earned during the year	(5 523 344)	(5 274 753)
Unearned premiums at the end of the year	**1 300 868**	**1 531 253**
13.2 Impairment on insurance assets		
Opening balance	436 451	200 141
Charge of impairement on insurance receivables	252 957	236 310
Closing balance	**689 408**	**436 451**
14. OTHER ASSETS		
Land inventory	59 963 806	84 540 941
Prepayments and deposits	1 681 360	1 786 659
Other receivables	9 804 931	13 438 263
	71 450 097	**99 765 863**
15. EQUITIES INVESTMENTS		
Opening balance	7 233 272	13 092 885
Fair value adjustments	442 833	(571 082)
Investments in equities disposed during the year	-	(7 629 967)
Investments in equities during the year	150 002	2 341 436
Closing balance	**7 826 107**	**7 233 272**
15.1 Investments in equity instruments		
Listed investments	1 553 193	959 439
Unlisted investments	6 272 914	6 273 833
	7 826 107	**7 233 272**
At cost	6 272 914	6 273 833
At fair value	1 553 193	959 439
	7 826 107	**7 233 272**

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

15. EQUITIES INVESTMENTS (continued)

15.2 Investments in subsidiaries

	31 Dec 2016 US$	%	31 Dec 2015 US$	%
CBZ Bank Limited	21 839 891	100	21 839 891	100
CBZ Asset Management t/a Datvest	1 987 950	100	1 987 950	100
CBZ Building Society	19 114 990	100	19 114 990	100
CBZ Insurance (Private) Limited	1 690 879	89.37	1 690 879	86.63
CBZ Properties (Private) Limited	4 779 144	100	4 779 144	100
CBZ Life Assurance (Private) Limited	1 388 014	100	1 388 014	100
CBZ Asset Management (Mauritius)	132 990	100	132 990	100
CBZ Risk Advisory (Private) Limited	545 080	100	-	100
	51 478 938		**50 933 858**	

During the year CBZ Holdings invested 100% in CBZ Risk Advisory services and increased its shareholdings in CBZ Insurance as detailed in note 27.7.1.

16. CATEGORIES OF FINANCIAL INSTRUMENTS

31 December 2016	At fair value through profit or loss US$	Available for sale US$	Loans and receivables US$	Total carrying amount US$
Financial assets				
Balances with banks and cash	-	-	73 482 774	73 482 774
Money market assets	-	-	37 512 007	37 512 007
Financial securities	-	-	760 536 057	760 536 057
Loans and advances to customers	-	-	1 007 172 157	1 007 172 157
Insurance assets	-	-	4 851 887	4 851 887
Equity investments	1 553 193	6 272 914	-	7 826 107
Other assets	-	-	11 486 291	11 486 291
Total	**1 553 193**	**6 272 914**	**1 895 041 173**	**1 902 867 280**
31 December 2015				
Financial assets				
Balances with banks and cash	-	-	42 522 322	42 522 322
Money market assets	-	-	200 683 145	200 683 145
Financial securities	-	-	471 930 295	471 930 295
Loans and advances to customers	-	-	1 020 968 516	1 020 968 516
Insurance assets	-	-	5 189 347	5 189 347
Equity investments	959 439	6 273 833	-	7 233 272
Other assets	-	-	16 031 293	16 031 293
Total	**959 439**	**6 273 833**	**1 757 324 918**	**1 764 558 190**

17. PROPERTY AND EQUIPMENT

31 DECEMBER 2016			Leasehold	Motor	Computer and	Work in	
	Land	Buildings	improvements	vehicles	equipment	progress	Total
Cost	US$	US$	US$	US$	US$	US$	US$
Opening balance	5 287 613	49 571 576	805 435	5 733 574	32 305 911	5 331 414	99 035 523
Additions	-	50 842	-	868 077	3 078 374	2 463 877	6 461 170
Revaluation	(33 152)	(1 989 146)	-	-	-	-	(2 022 298)
Impairments	-	(198 920)	-	-	(32 740)	-	(231 660)
Disposals	-	-	-	(184 192)	(133 925)	(33 288)	(351 405)
Transfers to other assets	-	-	-	-	(3 744)	-	(3 744)
Transfer to intangibles	-	-	-	-	-	(1 124 088)	(1 124 088)
Transfers to investment properties	-	(3 764 750)	-	-	-	(5 461)	(3 770 211)
Transfers (PPE intercategories)	-	34 575	-	-	2 529 075	(2 563 650)	-
Closing balance	**5 254 461**	**43 704 177**	**805 435**	**6 417 459**	**37 742 951**	**4 068 804**	**97 993 287**
Accumulated depreciation and impairment							
Opening balance	-	-	350 202	3 182 255	17 818 677	-	21 351 134
Charge for the year	-	2 626 375	78 544	788 764	3 857 581	-	7 351 264
Disposals	-	-	-	(165 772)	(114 202)	-	(279 974)
Transfer on revaluation	-	(2 539 724)	-	-	-	-	(2 539 724)
Impairments		(86 651)	-	-	(22 800)	-	(109 451)
Closing balance	**-**	**-**	**428 746**	**3 805 247**	**21 539 256**	**-**	**25 773 249**
Net book value	**5 254 461**	**43 704 177**	**376 689**	**2 612 212**	**16 203 695**	**4 068 804**	**72 220 038**

17. PROPERTY AND EQUIPMENT (continued)

31 December 2015 Cost	Land US$	Buildings US$	Leasehold improvements US$	Motor vehicles US$	Computer and equipment US$	Work in progress US$	Total US$
Opening balance	5 699 347	52 289 299	805 435	4 677 170	29 865 129	1 133 356	94 469 736
Additions	-	636 890	-	1 263 567	2 913 312	4 808 817	9 622 586
Revaluation	(68 723)	(2 062 623)	-	-	-	-	(2 131 346)
Impairments	-	(168 617)	-	-	-	-	(168 617)
Disposals	-	-	-	(207 163)	(697 790)	(76 151)	(981 104)
Transfers to other assets	-	-	-	-	-	(100 000)	(100 000)
Transfer to intangible assets	-	-	-	-	-	(124 439)	(124 439)
Transfers to investment properties	(396 330)	(4 863 870)	-	-	-	(55 843)	(5 316 043)
Transfers from investment properties	53 319	3 711 431	-	-	-	-	3 764 750
Transfers (PPE inter-categories)	-	29 066	-	-	225 260	(254 326)	-
Closing balance	**5 287 613**	**49 571 576**	**805 435**	**5 733 574**	**32 305 911**	**5 331 414**	**99 035 523**
Accumulated depreciation and impairment							
Opening balance	-	-	271 657	2 647 272	14 600 635	-	17 519 564
Charge for the year	-	2 621 010	78 545	720 477	3 817 916	-	7 237 948
Disposals	-	-	-	(185 494)	(599 874)	-	(785 368)
Transfer on revaluation	-	(2 526 663)	-	-	-	-	(2 526 663)
Impairments		(94 347)	-	-	-	-	(94 347)
Closing balance	**-**	**-**	**350 202**	**3 182 255**	**17 818 677**	**-**	**21 351 134**
Net book value	**5 287 613**	**49 571 576**	**455 233**	**2 551 319**	**14 487 234**	**5 331 414**	**77 684 389**

17. PROPERTY AND EQUIPMENT (continued)

Properties were revalued on an open market basis by an independent professional valuer, as at 31 December 2016 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.

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

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

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

The maximum useful lives are as follows:

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

The carrying amount of buildings would have been US$25 827 521 (December 2015:US$30 287 119 had they been carried at cost. Further details on fair valuation hierachy are provided in note 35.

If the fair value adjustment had been 5% up or down, the Group's Other Comprehensive Income would have been $23 201 higher or lower and the Statement of Financial Position would have been $25 871 higher or lower than the reported position.

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

18. INVESTMENT PROPERTIES

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	27 944 072	25 161 306
Additions	1 642 209	2 182 843
Transfer from property and equipment	3 770 211	5 316 043
Transfer to property and equipment	-	(3 764 750)
Transfer from Land inventory	260 000	-
Fair value loss	(1 015 269)	(951 370)
Closing balance	**32 601 223**	**27 944 072**

The carrying amount of the investment property is the fair value of the property as determined by a registered independent appraiser having, an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties and also in reference to the rental yields applicable to similar properties. The properties were valued as at 31 December 2016. Further details on fair valuation hierarchy are provided in note 35. If the fair value adjustment had been 5% up or down, the Group's profit would have been $37 692 lower or higher and the Statement of Financial Position would have been $50 763 higher or lower than the reported position.

The rental income derived from investments properties amounted to US$ 1 152 430 (December 2015: US$ 1 083 326) and direct operating expenses amounted to US$113 583 (December 2015: US$ 132 858).

Below is a summary of expected income from investment property leases held by the Group as at 31 December 2016:

	31 Dec 2016 US$	31 Dec 2015 US$
Up to 1 year	884 302	87 050
Between 1 and 5 years	232 590	740 763
Above 5 years	-	127 199
	1 116 892	**955 012**

19. INTANGIBLE ASSETS

	31 Dec 2016 US$	31 Dec 2015 US$
Computer software		
At cost	6 503 710	4 497 145
Accumulated amortisation	(3 806 289)	(2 987 800)
	2 697 421	**1 509 345**
Movement in intangible assets:		
Opening balance	1 509 346	1 339 462
Additions	1 079 769	415 715
Transfer from property and equipment	1 124 088	124 439
Impairment charges	(38 675)	-
Amortisation charge	(977 107)	(370 270)
Closing balance	**2 697 421**	**1 509 346**

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

20. DEFERRED TAXATION

20.1 Deferred tax asset

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

20.1.1 The deferred tax included in the statement of financial position and changes recorded in the statement of profit or loss and other comprehensive income are comprised of;

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	17 171 546	17 215 314
Assessed loss	(74 124)	111 288
Impairments and provisions	(3 367 207)	2 327 628
Intangible assets	(26 995)	15 361
Prepayments	560 823	(1 180 286)
Property and equipment	24 740	(28 941)
Tax claimable impairments	854 229	(1 463 002)
Investment properties	56 551	(50 834)
Other	(2 632 753)	225 018
Closing balance	**12 566 810**	**17 171 546**

20.2 Deferred tax liability

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

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

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	2 534 187	2 606 658
Equity investments	3 831	(5 018)
Prepayments	-	(10 075)
Property and equipment	(17 645)	199 735
Investment properties	(63 156)	(31 445)
Other	(97 809)	(225 668)
Closing balance	**2 359 408**	**2 534 187**

21. DEPOSITS

	31 Dec 2016 US$	31 Dec 2015 US$
Call deposits	11 303 411	31 109 059
Savings and other deposits	1 054 695 613	861 630 492
Money market deposits	606 173 907	660 678 443
Lines of credit	96 174 558	121 526 644
Accrued interest	8 807 264	9 333 190
	1 777 154 753	**1 684 277 828**

21. DEPOSITS (continued)

21.1 Deposits by type

	31 Dec 2016 US$	31 Dec 2015 US$
Retail	155 145 969	152 921 355
Corporate	911 849 912	741 456 676
Money market	611 077 928	665 952 231
Lines of credit	99 080 944	123 947 566
	1 777 154 753	**1 684 277 828**

Lines of credit relate to borrowings from a foreign bank or financial institutions. These have an average tenure of 1.3 years with an average interest rate of 8.5% and are secured by a variety of instruments which include lien over bank accounts, guarantees, treasury bills and sub borrower securities.

21.2 Sectoral Analysis

	31 Dec 2016 US$	%	31 Dec 2015 US$	%
Private	88 636 424	5	90 147 161	5
Agriculture	54 321 702	3	51 234 288	3
Mining	16 625 453	1	15 452 687	1
Manufacturing	125 340 664	7	119 589 950	7
Distribution	296 085 858	17	301 222 457	18
Construction	38 714 651	2	36 145 700	2
Transport	26 191 824	1	24 715 539	1
Communication	36 278 492	2	27 107 402	2
Services	582 644 267	33	524 892 088	31
Financial organisations	487 396 643	28	467 865 847	29
Financial and investments	24 918 775	1	25 904 709	1
	1 777 154 753	**100**	**1 684 277 828**	**100**

21.3 Maturity analysis

	31 Dec 2016 US$	31 Dec 2015 US$
Less than 1 month	451 608 712	554 530 347
Between 1 and 3 months	342 776 681	166 348 301
Between 3 and 6 months	222 852 073	152 908 048
Between 6 months and 1 year	391 358 214	117 383 171
Between 1 and 5 years	210 474 249	448 890 370
More than 5 years	158 084 824	244 217 591
	1 777 154 753	**1 684 277 828**

Maturity analysis is based on the remaining period from 31 December 2016 to contractual maturity.

22. INSURANCE LIABILITIES

	31 Dec 2016 US$	31 Dec 2015 US$
Gross unearned premium reserve (a)	3 035 840	3 079 891
Gross outstanding claims (b)	2 359 305	953 962
Reinsurance payables (c)	763 507	605 094
Deferred reinsurance acquisition revenue (d)	312 298	316 775
	6 470 950	**4 955 722**

22.1 Insurance contract provisions

(a) Gross unearned premium reserve

	31 Dec 2016 US$	31 Dec 2015 US$
Unearned premiums beginning of year	3 079 891	3 082 376
Written premiums	10 220 701	9 590 832
Premiums earned during the year	(10 264 752)	(9 593 317)
Unearned premiums at end of year	**3 035 840**	**3 079 891**

(b) Gross Outstanding claims provision

	31 Dec 2016 US$	31 Dec 2015 US$
Outstanding claims at beginning of year	953 962	1 042 838
Claims incurred	5 524 190	3 838 212
Incurred but not reported claims provision (IBNR)	17 127	6 773
Claims paid	(4 135 974)	(3 933 861)
Outstanding claims at end of year	**2 359 305**	**953 962**

(c) Reinsurance payables

	31 Dec 2016 US$	31 Dec 2015 US$
Reinsurance payables at beginning of year	605 094	695 165
Premiums ceded during the year	4 718 951	4 716 395
Reinsurance paid	(4 560 538)	(4 806 466)
Reinsurance payables at end of year	**763 507**	**605 094**

22. INSURANCE LIABILITIES (continued)

(d) Deferred re-insurance acquisition reserve

	Unearned Commissions US$	Deferred Acquisition US$	Net US$
Dec 2016			
Unearned at beginning of year	316 775	330 247	(13 472)
Written premiums	1 123 500	1 187 637	(64 137)
Earned during the year	(1 127 977)	(1 149 642)	21 665
Unearned at end of year	**312 298**	**368 242**	**(55 944)**
Dec 2015			
Unearned at beginning of year	290 824	350 539	(59 715)
Written premiums	1 090 068	944 027	146 041
Earned during the year	(1 064 117)	(964 319)	(99 798)
Unearned at end of year	**316 775**	**330 247**	**(13 472)**

23 LIFE FUND

23.1 Movement in Life fund

	Unearned Premium Reserve US$	Incurred But Not Reported US$	Total US$
Dec 2016			
Opening balance	2 292 534	1 068 154	3 360 688
Transfer to income	(979 191)	(536 505)	(1 515 696)
Closing balance	**1 313 343**	**531 649**	**1 844 992**
Dec 2015			
Opening balance	773 062	625 658	1 398 720
Transfer from income	1 519 472	442 496	1 961 968
Closing balance	**2 292 534**	**1 068 154**	**3 360 688**

23.2 Life funds Liabilities as supported by the following net assets

	31 Dec 2016 US$	31 Dec 2015 US$
Money Market assets	1 017 897	2 740 421
Prescribed assets	77 095	620 267
Investment property	750 000	-
	1 844 992	**3 360 688**

24. OTHER LIABILITIES

	31 Dec 2016 US$	31 Dec 2015 US$
Revenue received in advance	827 799	2 076 459
Sundry creditors	8 182 501	7 382 248
Other	4 848 933	6 341 544
	13 859 233	**15 800 251**

	31 Dec 2016 US$	31 Dec 2015 US$

25. LIFE ASSURANCE INVESTMENT CONTRACT LIABILITIES

25.1 Investment contract liabilities movement

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	1 314 713	912 773
Interest on GEP Fund	84 427	97 050
Fund Management expenses	(26 938)	(15 477)
GEP Investment	701 399	612 724
GEP Withdrawals	(556 480)	(292 357)
Closing Balance	**1 517 121**	**1 314 713**

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

	31 Dec 2016 US$	31 Dec 2015 US$
Money market assets	939 008	1 103 160
Cash	276 303	65 411
Prescribed assets	301 810	146 142
	1 517 121	**1 314 713**

26. CATEGORIES OF FINANCIAL LIABILITIES

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

27. EQUITY

27.1 Share capital

Authorised

	31 Dec 2016 US$	31 Dec 2015 US$
1 000 000 000 ordinary shares of US$ 0.01 each	**10 000 000**	**10 000 000**

Issued and fully paid	**shares**	**shares**
Opening balance	686 768 943	686 606 585
Employee share options	59 797	162 358
Closing balance	**686 828 740**	**686 768 943**

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	6 867 689	6 866 065
Exercise of share options	599	1 624
Closing balance	**6 868 288**	**6 867 689**

27.2 Share premium

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	40 001 416	39 983 305
Exercise of share option reserve	6 670	18 111
Closing balance	**40 008 086**	**40 001 416**

27. EQUITY (continued)

27.3 Treasury shares

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	16 810 640	13 503 280
Share buyback	777 942	3 307 360
Closing balance	**17 588 582**	**16 810 640**

The Group holds treasury shares of 168 981 847(Dec 2015:161 494 686) after purchasing 7 487 161 shares during the year ended 31 December 2016.

27.4 Revaluation reserve

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	26 625 959	26 305 791
Net revaluation gain	464 023	320 168
Closing balance	**27 089 982**	**26 625 959**

27.5 Employee Share option reserve

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	1 032 565	907 067
Share options to employees	68 461	125 498
Closing balance	**1 101 026**	**1 032 565**

During the year 59 797 shares were exercised after vesting and US$ 5 269 was realised from the exercise. The average exercise price was $0.088 per share.

Shares under option

The Directors are empowered to grant share options to senior executives and staff of the Company up to a maximum of 40 000 000 shares. The options are granted for a period of 10 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of the share options outstanding as at 31 December 2016 were as follows:

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

	31 Dec 2016 Shares	31 Dec 2015 Shares
Movement for the year		
Opening balance	37 391 389	37 553 747
Options exercised	(59 797)	(162 358)
Closing balance	**37 331 592**	**37 391 389**

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

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

Valuation inputs:

Exercise price

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

Expected volatility

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

Expected dividends

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

Risk free rate of return

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

27. EQUITY (continued)

27.6 Revenue reserve

	31 Dec 2016 US$	31 Dec 2015 US$
The revenue reserve comprises:		
Holding Company	14 400 232	21 940 634
Subsidiary companies	215 095 907	186 212 095
Effects of consolidation journals	(4 410 528)	(4 460 765)
	225 085 611	**203 691 964**

27.7 Non-controlling interests (NCI)

	31 Dec 2016 US$	31 Dec 2015 US$
Non-controlling interests comprise:		
Opening balance	468 104	284 414
Total comprehensive income	95 641	153 690
Change in degree of control	(41 438)	-
Rights issue	20 600	30 000
Closing balance	**542 907**	**468 104**

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

CBZ Holdings increased its shareholding in its subsidiary (CBZ Insurance) through fully exercising its rights issue whereas the Non-controlling shareholders only exercised 37.8% of their full rights resulting in dilution of their shareholding from 13.37% to 10.63% as at 31 December 2016.

	%
CBZ Holdings equity share at 31 December 2014	86.63
Impact of dilution on exercise of rights issue on 1 February 2015	3.80
	90.43
Impact of dilution on exercise of rights issue on 31 December 2015	(0.65)
	89.78
Impact of dilution on exercise of rights issue on 31 March 2016	(0.41)
CBZ Holdings equity share at 31 December 2016	**89.37**

The dilution becomes effective in 2016 as the NCI could still have exercised their rights to the share issue as at 31 December 2015.

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

The impact on value of change of degree resulted in US$41 438 increase to the Holding Company share of net assets for 2016 due to the dilution of the non-controlling interest.

28. CAPITAL MANAGEMENT

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

29. CONTINGENCIES AND COMMITMENTS

	31 Dec 2016 US$	31 Dec 2015 US$
Contingent liabilities		
Guarantees	**20 681 653**	**144 192 922**
Capital commitments		
Authorised and contracted for	1 232 940	1 065 400
Authorised but not yet contracted for	1 071 035	-
	2 303 975	**1 065 400**

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

30. FUNDS UNDER MANAGEMENT

	31 Dec 2016 US$	31 Dec 2015 US$
Pensions	134 132 033	118 989 378
Private	6 898 445	5 442 014
Unit trust	539 652	455 942
Money market	6 076 753	6 443 138
	147 646 883	**131 330 472**

31. OPERATING SEGMENTS

Management has organised its operating segments on the basis of products and services offered. The Group is comprised of the following operating segments:

Commercial Banking Operations	Provides commercial banking and mortgage finance products through retail banking, corporate and merchant banking and investing portfolios through the treasury function.
Asset Management Operations	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
Insurance Operations	Provides short term and long term insurance.
Property Management	Provides property management services.
Other Operations	Provides other central functions

The table on the next page shows the segment results for the year ended 31 December 2016:

31 OPERATING SEGMENTS (continued)

31.1 Segment operational results

Income	Commercial Banking US$	Mortgage Finance US$	Asset Management US$	Insurance Operations US$	Property Investment US$	Other operations US$	Elimination of inter segment amounts US$	Consolidated US$
Total income for the year ended 31 December 2016	118 328 130	31 422 433	2 148 953	9 688 335	109 102	6 089 700	(8 801 458)	158 985 195
Total income for the year ended 31 December 2015	139 723 002	31 314 776	2 102 403	11 163 728	(261 427)	3 725 417	(5 515 797)	182 252 102
Underwriting income for the year ended 31 December 2016	–	–	–	8 423 249	–	–	(117 494)	8 305 755
Underwriting income for the year ended 31 December 2015	–	–	–	10 876 711	–	–	(332 846)	10 543 865
Depreciation and amortisation for the year ended 31 December 2016	6 204 368	1 335 111	50 356	306 422	–	371 399	60 715	8 328 371
Depreciation and amortisation for the year ended 31 December 2015	5 432 362	1 594 502	123 392	312 862	–	78 585	66 515	7 608 218
Impairment of assets for the year ended 31 December 2016	20 125 761	(50 005)	–	337 245	–	9 963	–	20 422 964
Impairment of assets for the year ended 31 December 2015	24 240 224	1 159 374	–	236 310	–	34 230	–	25 670 138
Results								
Profit before taxation for the year ended 31 December 2016	20 049 585	6 691 661	115 609	3 706 247	84 047	(2 262 000)	108 414	28 493 563
Profit before taxation for the year ended 31 December 2015	31 403 841	5 729 146	216 097	6 122 060	(297 895)	2 797 374	(5 085 506)	40 885 117
Cash flows:								
Generated from operating activities for the year ended 31 December 2016	39 723 282	(584 292)	(139 904)	2 469 619	77 344	1 587 814	137 363	43 271 226
Utilised from operating activities for the year ended 31 December 2015	(24 799 812)	9 021 263	59 159	1 525 578	14 829	7 737 245	(14 182 740)	(20 624 478)
Used in investing activities for the year ended 31 December 2016	(6 763 694)	(211 256)	–	(2 104 190)	–	(687 030)	545 080	(9 211 090)
Used in investing activities for the year ended 31 December 2015	(1 741 697)	(870 769)	(10 750)	(382 190)	(84 053)	(2 325 053)	766 300	(4 648 212)
Used/Generated in financing activities for the year ended 31 December 2016	–	–	–	565 680	–	(3 110 284)	(545 080)	(3 089 684)
Used/Generated in financing activities for the year ended 31 December 2015	(4 500 000)	–	–	129 322	–	(5 530 999)	4 400 679	(5 500 998)
Assets and Liabilities:								
Reportable segment liabilities for the year ended 31 December 2016	1 745 961 924	100 799 450	393 056	11 947 270	672 942	9 861 791	(66 134 711)	1 803 501 722
Reportable segment liabilities for the year ended 31 December 2015	1 666 324 404	111 616 119	423 152	10 738 397	713 434	7 259 703	(84 593 730)	1 712 481 479
Total segment assets for the year ended 31 December 2016	1 912 591 402	192 446 244	3 068 816	32 315 405	10 446 655	54 650 841	(118 910 323)	2 086 609 040
Total segment assets for the year ended 31 December 2015	1 814 126 770	196 231 707	2 980 415	27 163 490	10 449 379	60 337 567	(136 930 792)	1 974 358 536

32. RELATED PARTIES

The Group does not have an ultimate parent as it is owned by several shareholders none of which has a controlling interest. Related parties are those companies owned by Directors of the Group who have the power to exercise control over the management or financial and operating policies of the Group The Group carries banking and investments related transactions with various companies related to its shareholders, all of which were undertaken at arm's length terms and in compliance with the relevant Banking Regulations.

Loans and advances to other related parties.

	Gross limits US$	Utilised limits US$	Value of security US$
31 December 2016			
Loans to directors' companies	**4 435 248**	**3 558 585**	**8 000 044**
31 December 2015			
Loans to directors' companies	**5 526 470**	**5 011 295**	**5 655 750**

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

Transactions with directors' companies.

	31 Dec 2016 US$	31 Dec 2015 US$
Interest income	602 495	679 353
Commission and fee income	322 885	8 992
	925 380	**688 345**

Compensation of key management personnel of the Group

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

33. EXCHANGE RATES AT 31 DECEMBER

	31 Dec 2016 US$	31 Dec 2015 US$
ZAR	13.6273	15.5422
GBP	0.8145	1.4824
EUR	0.9496	0.9150

RISK MANAGEMENT

34. RISK MANAGEMENT

34.1 Risk overview

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

34.2 Group risk management framework

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

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

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

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

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

34. RISK MANAGEMENT (continued)

IT & Business Development Committee

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

Audit & Finance Committee

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

Human Resources & Remunerations Committee

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

34.3 Credit risk

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

Credit risk management framework

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

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

Credit mitigation

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

Non–performing loans and advances

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

34. RISK MANAGEMENT (continued)

of a decline in the credit quality or where an obligation is past due for more than 90 days or an obligor has exceeded a sanctioned limit for more than 90 days.

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

34.3. (a) Credit risk exposure

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

	31 Dec 2016 US$	31 Dec 2015 US$
Balances with banks	64 055 015	26 284 388
Money market assets	37 512 007	200 683 145
Financial securities	760 536 057	471 930 295
Loans and advances to customers	1 007 172 157	1 020 968 516
Other assets	11 486 291	16 031 293
Total	**1 880 761 527**	**1 735 897 637**
Guarantees	**20 681 653**	**144 192 922**

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$ 64 055 015 (excluding notes and coins) as at 31 December 2016, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

34 RISK MANAGEMENT (continued)

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

	31 Dec 2016 US$	31 Dec 2015 US$
1 to 3 months	**310 125 191**	**333 725 137**

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

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

	31 Dec 2016 US$	31 Dec 2015 US$
3 to 6 months	20 190 340	48 067 740
6 to 12 months	50 432 086	23 710 337
Above 1 year	-	4 293 237
Total	**70 622 426**	**76 071 314**

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

	31 Dec 2016 US$ Gross maximum exposure	31 Dec 2016 US$ Net maximum exposure (not covered by mortgage security)	31 Dec 2015 US$ Gross maximum exposure	31 Dec 2015 US$ Net maximum exposure (not (covered by mortgage security)
Private	191 112 349	18 777 485	156 219 389	24 382 693
Agriculture	250 771 986	63 166 397	310 735 698	86 926 371
Mining	9 764 786	1 911 212	11 264 816	2 518 218
Manufacturing	100 708 876	31 722 453	155 904 814	45 694 862
Distribution	114 916 923	39 653 796	219 593 068	77 751 656
Construction	7 105 680	2 419 274	5 371 935	3 187 641
Transport	12 209 680	3 265 357	13 246 917	4 302 443
Communication	11 884	-	2 133 707	-
Services	153 633 755	9 920 594	199 597 725	14 370 493
Financial organisations	227 738 531	-	21 839 156	-
Total	**1 067 974 450**	**170 836 568**	**1 095 907 225**	**259 134 377**

34. RISK MANAGEMENT (continued)

	31 Dec 2016 US$	31 Dec 2015 US$
Collateral (mortgage security)	932 012 190	856 592 104
Cash cover	14 093 465	203 582 970
Other forms of security including Notarial General Covering Bonds (NGCBs) cessions, etc.	760 371 701	788 254 088
	1 706 477 356	**1 848 429 162**

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

	31 Dec 2016 US$	31 Dec 2015 US$
Against doubtful* and loss* grades		
Property	24 200 242	11 779 980
Other	17 389 900	21 524 021
Against substandard* grade		
Property	6 603 775	17 173 748
Other	21 086 126	52 281 010
Against special mention* grade		
Property	209 438 485	198 535 847
Other	240 335 469	251 071 974
Against normal* grade		
Property	691 769 687	629 102 529
Other	495 653 671	666 960 053
	1 706 477 355	**1 848 429 162**

*** See definition on note 34.3.1**

34. RISK MANAGEMENT (continued)

34.3 (e) Credit quality per class of financial assets

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

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

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

31 DECEMBER 2015	Normal grade US$	Special mention grade US$	Sub-standard grade US$	Doubtful and Loss grade US$	Total US
Advances					
Agriculture	127 772 165	171 622 752	6 329 447	5 011 334	310 735 698
Manufacturing	143 488 199	10 433 625	1 700 251	282 739	155 904 814
Commercial	133 463 861	51 691 045	10 577 671	3 865 148	199 597 725
Private	134 827 087	16 573 548	4 772 041	46 713	156 219 389
Mining	6 325 750	4 939 066	-	-	11 264 816
Distribution	124 717 582	58 462 400	21 664 021	14 749 065	219 593 068
Construction	1 544 736	3 827 199	-	-	5 371 935
Transport	10 166 038	2 479 849	-	601 030	13 246 917
Communication	2 133 707	-	-	-	2 133 707
Financial services	1 671 649	13 695 653	3 024 309	3 447 545	21 839 156
	686 110 774	**333 725 137**	**48 067 740**	**28 003 574**	**1 095 907 225**

The Group has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Group, assuming all guarantees are called on, is US$144 192 922.

34. RISK MANAGEMENT (continued)

Allowances for impairment

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

Write-offs

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

Concentration of credit risk

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

34.3.1 Credit quality definitions

Normal grade

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

Special mention grade

An asset is classified as special mention, (i) if the asset in question is past due for more than 30 days but less than 90 days; or (ii) although currently protected, exhibits potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the institution's position at some future date, for example, where:

- The asset in question cannot be properly supervised due to an inadequate loan agreement; or
- The condition or control of the collateral for the asset in question is deteriorating; or
- The repayment capacity of the obligor is jeopardised because of deteriorating economic conditions or adverse trends in the obligor's financial position; or
- There is an unreasonably long absence of current and satisfactory financial information or inadequate collateral documentation in regard to the asset:

  Provided that, generally, a loan or advance shall require special mention only if its risk potential is greater than that under which it was originally granted.

34. RISK MANAGEMENT (continued)

Substandard grade

An asset is classified as substandard,

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

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

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

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

Doubtful

An asset is classified as doubtful,

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

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

Loss:

An asset is classified as a loss,

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

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

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

31.3.2 Market risk

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

31.3.3 Group market risks management framework

To manage these risks, there is oversight at Group Board level through the Group Board Risk Management Committee, which covers Asset and Liability Management processes through yearly review of the Group's Asset and Liability as well as investment policies

34. RISK MANAGEMENT (continued)

and benchmarks meant to assist in attaining the Group's liquidity strategic plan. The Group's (SBU) Boards are responsible for setting specific market risks strategies for their respective SBU and Executive Management implements policy and track performance regularly against set benchmarks through use of daily liquidity position reports, investment portfolio mix, cash flow analysis, liquidity matrix analysis, liquidity gap analysis and liquidity simulations to evaluate ability of the SBU to withstand stressed liquidity situations.

34.4 Liquidity risk

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

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

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

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

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

RISK MANAGEMENT (continued)

34.5.1 Gap analysis

LIQUIDITY PROFILE AS AT 31 DECEMBER 2016

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

34. RISK MANAGEMENT (continued)

LIQUIDITY PROFILE AS AT 31 DECEMBER 2015

	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	42 522 322		-	-	-	-	45 522 322
Money market assets	62 856 858	133 116 604	3 873 431	836 252	-	-	200 683 145
Financial securities	3 731 631	11 309 806	-	5 903 855	188 105 232	262 879 771	471 930 295
Loans and advances to customers	365 576 182	48 954 744	99 587 999	162 491 291	176 839 759	167 518 541	1 020 968 516
Equity investments	-	-	-	178 857	-	655 972	834 829
Financial guarantees	121 580 804	1 760 448	2 040 056	4 026 614	3 105 000	11 680 000	144 192 922
Current tax receivable	-	1 756 423	-	-	-	-	1 756 423
Other liquid assets	948 402	13 661 266	1 421 625	-	-	-	16 031 293
Total	**597 216 199**	**210 559 291**	**106 923 111**	**173 436 869**	**368 049 991**	**442 734 284**	**1 898 919 745**
Liabilities							
Deposits	554 530 347	166 348 301	152 908 048	117 383 171	448 890 370	244 217 591	1 684 277 828
Current tax payable	-	238 090	-	-	-	-	238 090
Insurance liabilities	-	-	605 093	-	8 199	-	613 292
Other liabilities	710 389	8 906 140	539 857	-	7 137 686	-	17 294 072
Capital commitments	-	-	-	1 065 400	-	-	1 065 400
Financial guarantees	121 580 804	1 760 448	2 040 056	4 026 614	3 105 000	11 680 000	144 192 922
Total	**676 821 540**	**177 252 979**	**156 093 054**	**122 475 185**	**459 141 255**	**255 897 591**	**1 847 681 604**
Liquidity gap	**(79 605 341)**	**33 306 312**	**(49 169 943)**	**50 961 684**	**(91 091 264)**	**186 836 693**	**51 238 141**
Cumulative liquidity gap	**(79 605 341)**	**(46 299 029)**	**(95 468 972)**	**(44 507 288)**	**(135 598 552)**	**51 238 141**	**51 238 141**

34. RISK MANAGEMENT (continued)

34.5.1 Gap analysis (continued)

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

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

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

CBZ Bank Limited	**%**
At 31 December 2016	76.65
At 31 December 2015	51.84
Average for the period	55.19
Maximum for the period	76.65
Minimum for the period	50.84

34.6 Interest rate risk

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

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

As at 31 December 2016, 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$692 091 lower or higher respectively than the reported position. This arises as a result of the sensitivity of the net interest assets to the movement in the interest rates.

34. RISK MANAGEMENT (continued)

34.6 Interest rate risk (continued)

34.6.1 (a) Interest rate repricing 31 December 2016

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

34. RISK MANAGEMENT (continued)

34.6.1 (a) Interest rate repricing (continued)

31 December 2015

	Demand US$	1 to 3 months US$	3 to 6 months US$	6 to 12 months US$	1 to 5 years US$	5 years and above US$	Non- interest Bearing US$	Total US$
Assets								
Balance with banks and cash	3 878 277	-	-	-	-	-	38 644 045	42 522 322
Money market assets	62 856 858	133 116 604	3 873 431	836 252	-	-	-	200 683 145
Financial securities	3 731 631	11 309 806	-	5 903 855	188 105 232	262 879 771	-	471 930 295
Loans and advances to customers	365 576 182	48 954 744	99 587 999	162 491 291	176 839 759	167 518 541	-	1 020 968 516
Insurance assets	-	-	-	-	-	-	5 189 347	5 189 347
Other assets	-	-	-	-	-	-	99 765 863	99 765 863
Equity investments		-			-	-	7 233 272	7 233 272
Investment properties	-	-	-	-	-	-	27 944 072	27 944 072
Property and equipment	-	-	-	-	-	-	77 684 389	77 684 389
Deferred taxation	-	-	-	-	-	-	1 509 346	1 509 346
Intangible assets	-	-	-	-	-	-	17 171 546	17 171 546
Current tax receivable	-	-	-	-	-	-	1 756 423	1 756 423
Total assets	**436 042 948**	**193 381 154**	**103 461 430**	**169 231 398**	**364 944 991**	**430 398 312**	**276 898 303**	**1 974 358 536**
Equity and liabilities								
Deposits	554 530 347	166 348 301	152 908 048	117 383 171	448 890 370	244 217 591	-	1 684 277 828
Insurance liabilities	-	-	-	-	-	-	4 955 722	4 955 722
Life fund	-	-	-	-	-	-	3 360 688	3 360 688
Other liabilities	-	-	-	-	-	-	15 800 251	15 800 251
Deferred taxation	-	-	-	-	-	-	2 534 187	2 534 187
Investment contract liabilities	-	-	-	-	-	-	1 314 713	1 314 713
Current tax payable	-	-	-	-	-	-	238 090	238 090
Equity	-	-	-	-	-	-	261 877 057	261 877 057
Total equity and liabilities	**554 530 347**	**166 348 301**	**152 908 048**	**117 383 171**	**448 890 370**	**244 217 591**	**290 080 708**	**1 974 358 536**
Interest rate re-pricing gap	**(118 487 399)**	**27 032 853**	**(49 446 618)**	**51 848 227**	**(83 945 379)**	**186 180 721**	**(13 182 405)**	**-**
Cumulative gap	**(118 487 399)**	**(91 454 546)**	**(140 901 164)**	**(89 052 937)**	**(172 998 316)**	**13 182 405**	**-**	**-**

34. RISK MANAGEMENT (continued)

34.7 Exchange rate risk

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

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

At 31 December 2016, 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$166 532 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 2016 is as below:

Foreign currency position as at 31 December 2016

Position expressed in US$

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

34. RISK MANAGEMENT (continued)

34.7 Exchange rate risk (continued)

Foreign currency position as at 31 December 2015

Position expressed in US$

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	42 522 322	35 476 597	4 714 758	588 293	1 742 674
Money market assets	200 683 145	200 683 145	-	-	-
Financial securities	471 930 295	471 930 295	-	-	-
Advances	1 020 968 516	1 004 799 995	10 114	257 678	15 900 729
Insurance assets	5 189 347	5 189 347	-	-	-
Other assets	99 765 863	99 442 270	224 319	41 983	57 291
Investment in equities	7 233 272	7 089 371	-	-	143 901
Investment properties	27 944 072	27 944 072	-	-	-
Property and equipment	77 684 389	77 684 389	-	-	-
Deferred taxation	17 171 546	17 171 546	-	-	-
Intangible assets	1 509 346	1 509 346	-	-	-
Current tax receivable	1 756 423	1 756 423	-	-	-
Total Assets	**1 974 358 536**	**1 950 676 796**	**4 949 191**	**887 954**	**17 844 595**
Equity and Liabilities					
Deposits	1 684 277 828	1 660 549 091	8 446 844	406 666	14 875 227
Insurance liabilities	4 955 722	4 955 722	-	-	-
Investment contract liabilities	1 314 713	1 314 713	-	-	-
Life fund	3 360 688	3 360 688	-	-	-
Other liabilities	15 800 251	15 692 010	10 219	13 161	84 861
Current tax payable	238 090	238 090	-	-	-
Deferred taxation	2 534 187	2 534 187	-	-	-
Equity and reserves	261 877 057	261 877 057	-	-	-
Total Equity and Liabilities	**1 974 358 536**	**1 950 521 558**	**8 457 063**	**419 827**	**14 960 088**

34. RISK MANAGEMENT (continued)

34.7.1 Exchange rate risk (continued)

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

Assets	ZAR	GBP	Other foreign Currencies
Balances with banks and cash	60 279 778	440 369	1 049 468
Equity investments	-	-	143 901
Loans and advances to customers	282 311	210 284	16 651 467
Other assets	4 596 629	97 022	56 948
Total assets	**65 158 718**	**747 675**	**17 901 784**
Liabilities			
Deposits	114 525 798	324 303	11 155 727
Other liabilities	153 927	15 673	434
Total liabilities	**114 679 725**	**339 976**	**11 156 161**
Net position	**(49 521 007)**	**407 699**	**6 745 623**

Foreign currency position as at 31 December 2015 position denominated in the respective foreign currency.

Assets	ZAR	GBP	Other foreign Currencies
Balances with banks and cash	73 277 713	396 852	1 742 674
Equity investments	-	-	143 901
Loans and advances to customers	157 195	173 825	15 900 729
Other assets	3 486 403	28 321	57 291
Total assets	**76 921 311**	**598 998**	**17 844 595**
Liabilities			
Deposits	131 282 540	274 330	14 875 227
Other liabilities	158 842	8 878	84 861
Total liabilities	**131 441 382**	**283 208**	**14 960 088**
Net position	**(54 520 071)**	**315 790**	**2 884 507**

34. RISK MANAGEMENT (continued)

34.7 Operational risk

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

34.7.1 Operational risk management framework

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

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

34.8 Strategic risk

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

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

34.9 Regulatory risk

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

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

34.10 Reputation risk

This is the risk of potential damage to the Group's image that arises from the market perception of the manner in which the Group and its SBUs package and deliver their products and services as well as how staff and M anagement 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

34. RISK MANAGEMENT (continued)

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.

34.11 Money-laundering risk

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

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

34.12 Insurance risk

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

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

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

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

34. RISK MANAGEMENT (continued)

34.13.1 External Credit Rating

CBZ Bank Limited

Rating agent	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating	A-	A	A+	A+	A+	A+	A	A	A	A+	A+	A

CBZ Life (Private) Limited

Rating agent	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating (Financial strength)	BBB+	BBB+	-	-	-	-	-	-	-	-	-	

CBZ Insurance (Private) Limited

Rating agent	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating(Claims paying ability)	BBB	BBB	-	-	-	-	-	-	-	-	-	

CBZ Asset Management (Private) Limited

Rating agent	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating (Manager quality)	A	A	-	-	-	-	-	-	-	-	-	

31.14.2 Reserve Bank Ratings

CAMELS RATING MATRIX							
	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank	1	1	2	1	1	2	2
CBZ Holdings Group	2	2	2	-	2	2	2

Key

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

35. FAIR VALUE MEASUREMENT

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

	Level 1		Level 2		Level 3		Total carrying Amount	
	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m	2016 US$m	2015 US$m
Assets								
Equity Investments	1.6	1.0	-	-	-	-	1.6	1.0
Land and buildings	-	-	48.9	54.9	-	-	48.9	54.9
Investment properties	-	-	32.6	27.9	-	-	32.6	27.9
Total assets at fair value	**1.6**	**1.0**	**81.5**	**82.8**	**-**	**-**	**83.1**	**83.8**

The valuation techniques and inputs used in the fair value measurement for the assets in Level 1 and level 2 are detailed in note1.24 of the accounting policies.

36. CAPITAL ADEQUACY

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

	31 Dec 2016 CBZ Bank Ltd US$	31 Dec 2015 CBZ Bank Ltd US$
Risk Weighted Assets	**783 003 808**	**961 868 377**
Total qualifying capital	**174 759 242**	**156 449 038**
Tier 1		
Share capital	5 118 180	5 118 180
Share premium	16 721 711	16 721 711
Revenue reserves	133 410 604	114 729 519
Exposures to insiders	(1 657 783)	(3 376 683)
Total core capital	**153 592 712**	**133 192 727**
Less transfer to tier 3	(20 219 720)	(19 738 594)
	133 372 992	**113 454 133**
Tier 2		
Revaluation reserve	11 378 985	11 232 956
General provisions	9 787 548	12 023 355
	21 166 533	**23 256 311**
Tier 3		
Capital allocated for market risk	627 288	245 074
Capital allocated to operations risk	19 592 432	19 493 520
	20 219 720	**19 738 594**
Capital adequacy	**22.32%**	**16.27%**
Tier 1	17.03%	11.80%
Tier 2	2.71%	2.42%
Tier 3	2.58%	2.05%

Regulatory capital, consists of Tier 1 capital which comprises share capital, share premium and revenue reserves including current year profit. The other component of the regulatory capital is Tier 2 capital, which includes general provisions and revaluation reserves. The regulated minimum capital base required by the Central Bank for the Bank is $25 million with a tier 1 ratio of 8% and a total capital adequacy ratio of 12%. The Insurance and Pensions Commission minimum capital requirements for Insurance Industry are $5 million and $1.5 million for long term and short term insurance, respectively. The Group's long term and short term insurance capital is $14.9 million and $5.1 million respectively, as at 31 December 2016.

37. GOING CONCERN

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

COMPANY FINANCIAL STATEMENTS

Company's Statement of
Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016

	Notes	31 Dec 2016 US$	31 Dec 2015 US$
Revenue	2	6 938 344	4 765 227
Operating expenditure	3	(9 200 344)	(1 957 222)
Operating (loss)/profit		**(2 262 000)**	**2 808 005**
Taxation	4	(2 940 791)	140 268
(Loss)/ Profit for the year after taxation		**(5 202 791)**	**2 948 273**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**(5 202 791)**	**2 948 273**
Profit for the year attributable to:			
Equity holders of parent		(5 202 791)	2 948 273
Total (loss)/profit for the year		**(5 202 791)**	**2 948 273**
Total comprehensive income attributable to:			
Equity holders of parent		(5 202 791)	2 948 273
Total comprehensive income for the year		**(5 202 791)**	**2 948 273**
(Loss) /Earnings per share (US cents):			
Basic	6.1	(0.99)	0.55
Fully diluted	6.1	(0.93)	0.53

Company's Statement of Financial Position

as at 31 December 2016

	Notes	31 Dec 2016 US$	31 Dec 2015 US$
ASSETS			
Balances with banks and cash	5	-	82 433
Other assets	12	2 369 544	698 706
Investments in equities		5 400 759	5 017 709
Investments in subsidiaries	8	51 478 938	50 933 858
Property and equipment	10	366 649	269 322
Intangible assets		947	337 688
Deferred taxation	11	-	2 926 944
TOTAL ASSETS		**59 616 837**	**60 266 660**
LIABILITIES			
Other liabilities	13	9 750 650	7 137 686
Overdraft		4 965 996	-
Deferred taxation	11	9 293	97 309
Current tax payable		101 847	-
TOTAL LIABILITIES		**14 827 786**	**7 234 995**
EQUITY			
Share capital		6 868 288	6 867 689
Share premium		40 008 086	40 001 416
Treasury shares		(17 588 582)	(16 810 640)
Revenue reserve		14 400 233	21 940 635
Share option reserve		1 101 026	1 032 565
TOTAL EQUITY		**44 789 051**	**53 031 665**
TOTAL LIABILITIES AND EQUITY		**59 616 837**	**60 266 660**

Company's Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital US$	Share premium US$	Treasury shares US$	Share option reserve US$	Revenue reserve US$	Total US$
2015						
Opening balance	6 866 065	39 983 305	(13 503 280)	907 067	21 230 303	55 483 460
Total comprehensive Income	-	-	-	-	2 948 273	2 948 273
Treasury shares acquisition	-	-	(3 307 360)	-	-	(3 307 360)
Dividend	-	-	-	-	(2 237 941)	(2 237 941)
Employee share option reserve	-	-	-	130 930	-	130 930
Exercise of share options	1 624	18 111	-	(5 432)	-	14 303
Closing balance	**6 867 689**	**40 001 416**	**(16 810 640)**	**1 032 565**	**21 940 635**	**53 031 665**
2016						
Opening balance	6 867 689	40 001 416	(16 810 640)	1 032 565	21 940 635	53 031 665
Total comprehensive Income	-	-	-	-	(5 202 791)	(5 202 791)
Treasury shares acquisition	-	-	(777 942)	-	-	(777 942)
Dividend	-	-	-	-	(2 337 611)	(2 337 612)
Employee share option reserve	-	-	-	70 461	-	70 461
Exercise of share options	599	6 670	-	(2 000)	-	5 269
Closing balance	**6 868 288**	**40 008 086**	**(17 588 582)**	**1 101 026**	**14 400 233**	**44 789 051**

Company's Statement of Cash Flows

for the year ended 31 December 2016

	31 Dec 2016 US$	31 Dec 2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(2 262 000)	2 808 005
Non-cash items:		
Depreciation and amortisation	32 764	78 585
Fair value adjustment on financial instruments	(383 050)	501 751
Amortisation	338 634	-
Impairments of property and equipment	9 963	34 230
Employee share option expense	70 461	130 930
Operating cash (outflow)/ inflow before changes in operating assets and liabilities	**(2 193 228)**	**3 553 501**
Changes in operating assets and liabilities		
Other assets	(1 670 838)	(59 211)
Other liabilities	2 612 964	4 243 112
	942 126	**4 183 901**
Corporate tax paid	(16)	(160)
Net cash (outflow) /inflow from operating activities	**(1 251 118)**	**7 737 242**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	-	(2 075 850)
Investment in subsidiary (CBZ Risk advisory)	(545 080)	-
Purchase of property and equipment	(140 054)	(249 201)
Purchase of intangible assets	(1 893)	-
Net cash outflow from investing activities	**(687 027)**	**(2 325 051)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee share options	5 269	14 303
Treasury shares acquisition	(777 942)	(3 307 360)
Dividends paid	(2 337 611)	(2 237 941)
Net cash outflow from financing activities	**(3 110 284)**	**(5 530 998)**
Net decrease in balances with banks and cash	**(5 048 429)**	**(118 807)**
Balances with banks and cash at the beginning of the year	82 433	201 240
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	**(4 965 996)**	**82 433**

1.0 COMPANY ACCOUNTING POLICIES

The Company's accounting policies are consistent with those applied by the Group. These are detailed from page 112 to 125 of this report.

1.1 INCORPORATION AND ACTIVITIES

The financial statements of the Company for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2017. The Company has subsidiaries which offer commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe.

	31 Dec 2016 US$	31 Dec 2015 US$
2. REVENUE		
Fair value adjustments on financial instruments	383 050	(501 751)
Dividend income	188 290	5 266 978
Management fees	6 367 004	-
	6 938 344	**4 765 227**
3. OPERATING EXPENDITURE		
Staff costs	5 749 151	130 931
Other administration expenses	2 153 168	600 497
Audit fees	68 020	60 178
Depreciation	32 764	78 584
Interest expense	848 644	1 052 802
Amortisation of Intangible assets	338 634	-
Impairment of fixed assets	9 963	34 230
	9 200 344	**1 957 222**

4. TAXATION

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

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

	31 Dec 2016 US$	31 Dec 2015 US$
Current income tax charge	(101 863)	(160)
Deferred income tax	(2 838 928)	140 428
Income tax expense	**(2 940 791)**	**140 268**

4. TAXATION (continued)

4.2 Tax rate reconciliation

	31 Dec 2016 %	31 Dec 2015 %
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Exempt income	6.51	10.51
Non deductible	(162.27)	(31.26)
Effective tax rate	**(130.01)**	**(5.00)**

5. BALANCES WITH BANKS AND CASH

	31 Dec 2016 US$	31 Dec 2016 US$
Cash	**-**	**82 433**

6. EARNINGS PER SHARE

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

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

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

6.1 Earnings

	31 Dec 2016 US$	31 Dec 2015 US$
Basic	(5 202 791)	2 948 273
Fully diluted	(5 202 791)	2 948 273
Number of shares used in calculations (weighted)	**Shares**	**Shares**
Basic earnings per share	523 252 082	538 013 960
Fully diluted earnings per share	538 430 359	553 229 658

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

	Shares	Shares
Weighted average number of shares before		
Adjustment for treasury shares	686 806 364	686 551 277
Less: Treasury shares held	(163 554 282)	(148 537 317)
Weighted average number of shares used for basic EPS	**523 252 082**	**538 013 960**
Potentially dilutive shares	15 178 277	15 215 698
Weighted average number of shares used for diluted EPS	**538 430 359**	**553 229 658**

7. DIVIDENDS

	31 Dec 2016 US$	31 Dec 2015 US$
Cash dividends on ordinary shares declared and paid:		
Final dividend paid	1 114 560	1 096 602
Interim dividend paid	1 223 051	1 141 339
	2 337 611	**2 237 941**
Interim dividend per share (cents)	0.23	0.21
Final dividend per share (cents)	0.21	0.20

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

	31 Dec 2016 US$	31 Dec 2015 US$
Proposed dividends on ordinary shares:		
Final cash dividend	**1 602 155**	**1 456 505**
Final dividend per share	0.23	0.21

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 2016.

8. INVESTMENTS IN SUBSIDIARIES

	31 Dec 2016 US$	%	31 Dec 2015 US$	%
CBZ Bank Limited	21 839 891	100	21 839 891	100
CBZ Asset Management	1 987 950	100	1 987 950	100
CBZ Building Society	19 114 990	100	19 114 990	100
CBZ Insurance (Private) Limited	1 690 879	89.37	1 690 879	86.63
CBZ Properties (Private) Limited	4 779 144	100	4 779 144	100
CBZ Life Assurance (Private) Limited	1 388 014	100	1 388 014	100
CBZ Asset Management (Mauritius)	132 990	100	132 990	100
CBZ Risk Advisory Services	545 080	-	-	-
	51 478 938		**50 933 858**	

During the year CBZ Holdings invested 100% in CBZ Risk Advisory services and increased its shareholdings in CBZ Insurance as detailed in note 27.7.1 of the Group's financial statements.

9. EMPLOYEE SHARE OPTION RESERVE

	31 Dec 2015 US$	31 Dec 2015 US$
Opening balance	1 032 565	907 067
Share options to employees	68 461	125 498
Closing balance	**1 101 026**	**1 032 565**

During the year 59 797 shares were exercised after vesting and US$5 269 was realised from the exercise.

Shares under option

The Directors are empowered to grant share options to senior executives and staff of the company. The options are granted for a period of 10 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of the share options outstanding as at 31 December 2016 were as follows:

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

	31 Dec 2016 Shares	31 Dec 2015 Shares
Movement for the year		
Opening balance	37 391 389	37 553 747
Options exercised	(59 797)	(162 358)
Closing balance	**37 331 592**	**37 391 389**

A valuation of the share option scheme was carried out by professional valuers as at 31 December 2016. The estimated fair value of the options granted was determined using the binomial model in accordance with IFRS 2 "Share Based Payments" with inputs and assumptions:

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

Valuation inputs:

Exercise price

The scheme rules state that the price for the shares comprised in an option shall be the middle market price ruling on the Zimbabwe Stock Exchange on the day which the options are granted, therefore 8.81 cents for the new options granted during the 2016 financial year.

9. EMPLOYEE SHARE OPTION RESERVE (continued)

Expected volatility

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

Volatility was calculated using the geometric Brownian motion process on share prices.

Expected dividends

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

Risk free rate of return

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

10. PROPERTY AND EQUIPMENT

31 DECEMBER 2016

Cost	Buildings US$	Motor vehicles US$	Computer and equipment US$	Total US$
Opening balance	190 000	77 759	649 309	917 068
Additions	9 920	123 822	6 312	140 054
Impairments	(14 920)	-	-	(14 920)
Closing balance	**185 000**	**201 581**	**655 621**	**1 042 202**
Accumulated depreciation and impairment				
Opening balance	-	77 759	569 987	647 746
Charge for the year	4 957	7 739	20 068	32 764
Impairments	(4 957)	-	-	(4 957)
Closing balance	**-**	**85 498**	**590 055**	**675 553**
Net book value	**185 000**	**116 083**	**65 566**	**366 649**

10. PROPERTY AND EQUIPMENT (continued)

31 DECEMBER 2015

Cost	Buildings US$	Motor vehicles US$	Computer and equipment US$	Total US$
Opening balance	-	77 759	628 129	705 888
Additions	228 021	-	21 180	249 201
Impairments	(38 021)			(38 021)
Closing balance	**190 000**	**77 759**	**649 309**	**917 068**
Accumulated depreciation and impairment				
Opening balance	-	72 900	500 053	572 953
Charge for the year	3 791	4 859	69 934	78 584
Impairments	(3 791)	-	-	(3 791)
Closing balance	**-**	**77 759**	**569 987**	**647 746**
Net book value	**190 000**	**-**	**-**	**269 322**

For more details on valuation of Property and equipment refer to note number 17 of the Group's consolidated financial statements.

11. DEFERRED TAXATION

11.1 Deferred tax asset

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

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	2 926 944	2 926 944
Write off	(2 926 944)	-
Closing balance	**-**	**2 926 944**

11.2 Deferred tax liability

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

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

	31 Dec 2016 US$	31 Dec 2015 US$
Opening balance	97 309	126 820
Equity investments	3 831	(5 018)
Property and equipment	(4 770)	(24 493)
Other	(87 077)	-
Closing balance	**9 293**	**97 309**

12. OTHER ASSETS

	31 Dec 2016 US$	31 Dec 2015 US$
Intercompany balances:		
CBZ Building society	1 080 949	-
CBZ Insurance	146 441	-
CBZ Life	219 662	-
CBZ Asset Management (Mauritius)	75 080	44 906
Sundry	847 412	653 800
	2 369 544	**698 706**

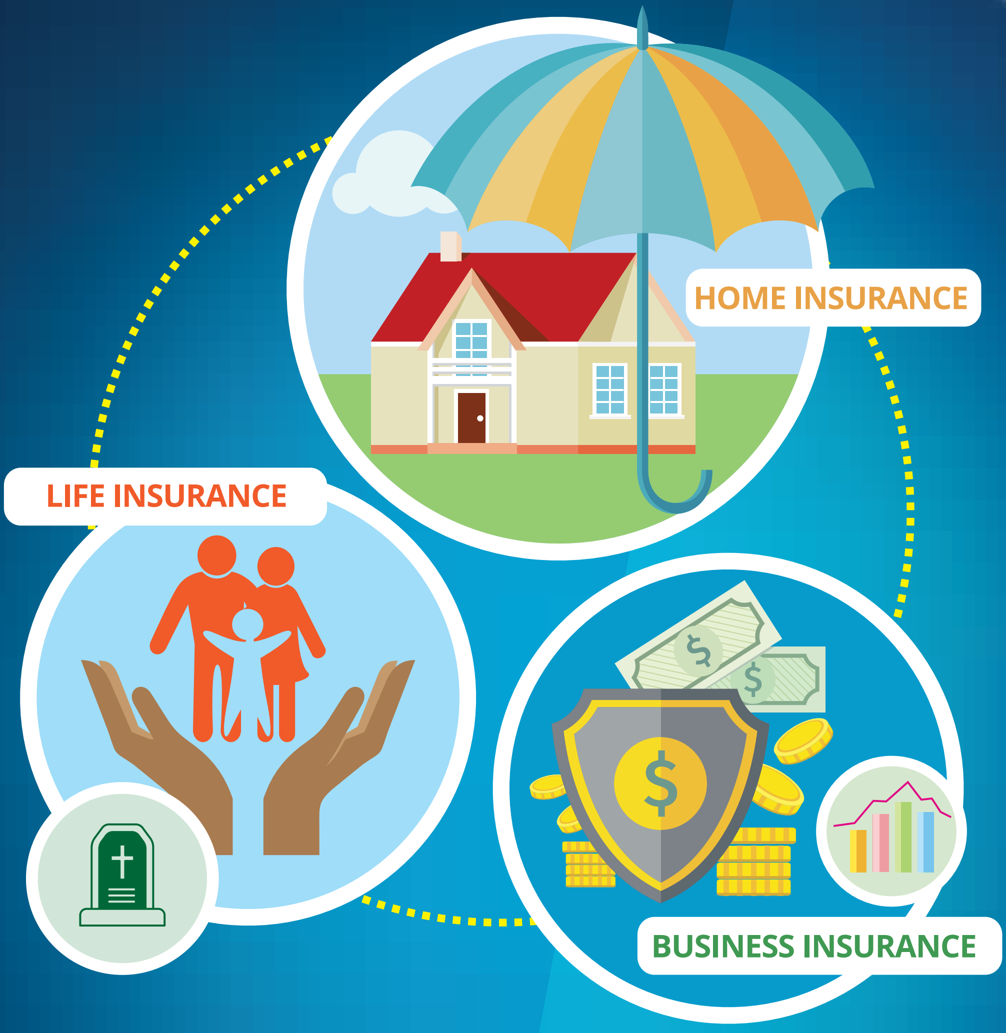
13. OTHER LIABILITIES

	31 Dec 2016 US$	31 Dec 2015 US$
Intercompany balances		
CBZ Bank	8 514 207	6 780 409
CBZ Asset Management	289 016	332 280
Sundry	947 434	24 997
	9 750 657	**7 137 686**

14 RELATED PARTY TRANSACTIONS

The Company has the following related party transactions with its Subsidiaries

	31 Dec 2016 US$	31 Dec 2015 US$
CBZ Bank	1 733 798	4 199 242
CBZ Building society	1 080 949	-
CBZ Asset Management(Mauritius)	30 174	44 906
CBZ Insurance	146 441	-
CBZ Life	219 662	-
CBZ Asset Management	43 264	43 270
	3 254 288	**4 287 418**



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CBZ HOLDINGS
Partners For Success

NOTICE TO MEMBERS

Notice is hereby given that the Twenty-Seventh Annual General Meeting of the Members of CBZ Holdings Limited will be held in the La Fontaine Restaurant, Meikles Premier Hotel, Harare, on Thursday, 27 April 2017 at 15:00 hours.

1. ORDINARY MATTERS

a) To receive and consider the Audited Annual Financial Statements for the year ended 31 December 2016, including the Chairman's, Group Chief Executive Officer's, Subsidiary Managing Directors' Reports and the Report of the External Auditors thereon.

b) To confirm the declaration of a final dividend of 0.23 cents per share for the year ended 31 December 2016, following an interim dividend of 0.23 cents per share giving a total dividend of 0.46 cents per share.

c) Directorate

   i) To note the retirement of Mr. Elliot Mugamu as Chairman of the Board of Directors of CBZ Holdings Limited and as a Non-Executive Director in the Group with effect from 28 February 2017.

   ii) To note the retirement of Messrs. Ian Harold Harris, Richard Zirobwa, Rebecca Pasi and Dr. Ruvimbo Mabeza-Chimedza from the Board of Directors of CBZ Holdings Limited and as Non-Executive Directors within the Group.

   iii) To note that in terms of Article 88 of the Articles of Association, one third of the Directors are required, after serving a period of three years, to retire from the Board by rotation and that in terms thereof the following Directors are eligible for retirement this year but offer themselves for re-election: Messrs Givemore Taputaira, Fouad Mokhtar Dernawi and Roseline Nhamo.

   iv) To note that in terms of Article 80 of the Articles of Association, the following Directors appointed during the course of the year: Mr. Gaylord Tafadzwa Nyamayi and Ms. Tsitsi Mutasa are required to retire and, they being eligible, offer themselves for reappointment.

d) To confirm the total remuneration paid to the Directors during the financial year ended 31 December 2016.

e) To approve the quarterly Directors' fees to be paid during the financial year ending 31 December 2017.

f) To confirm the re-appointment of Ernst and Young Chartered Accountants (Zimbabwe) as external auditors of the Company for the ensuing year.

g) To authorize the Directors to fix the external auditors' fees.

2. GENERAL

To transact such other business as may be transacted at an Annual General Meeting.

3. PROXIES

In terms of the Companies Act [Chapter 24:03], a member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and on a poll to vote or abstain from voting in his stead.

A proxy need not be a member.

Proxy forms must be received at the registered office of the company not less than 48 hours before the meeting.

BY ORDER OF THE BOARD

RUMBIDZAYI ANGELINE JAKANANI
GROUP LEGAL CORPORATE SECRETARY

REGISTERED HEAD OFFICE
5th Floor, Union House
60 Kwame Nkrumah Avenue
Harare, Zimbabwe
Telephone: (263-4) 748 050 - 79
Email: info@cbz.co.zw

24 March 2017

GROUP DETAILS

REGISTERED HEAD OFFICE

5th Floor, Union House
60 Kwame Nkrumah Avenue
Harare, Zimbabwe
Telephone: (263-4) 748 050 - 79
Email: info@cbz.co.zw

TRANSFER SECRETARIES

First Transfer Secretaries (Private) Limited
1 Armagh Avenue
Eastlea
Harare
P O Box 11 Harare
Zimbabwe
Tel:+263 4 782869/72; +263 772 146157
+263 4 749048
Email: info@fts-net.com
www.fts-net.com

LEGAL PRACTITIONERS

Mawere & Sibanda Legal Practitioners
3rd Floor Chiyedza House
1st Street/ Kwame Nkrumah Avenue
P.O Box CY 1376
Causeway
Harare, Zimbabwe

Dube, Manikai & Hwacha Legal Practitioners
6th Floor, Gold Bridge, Eastgate Complex
Cnr Sam Nujoma Street/ Robert Mugabe Avenue
Harare, Zimbabwe

AUDITORS

Ernst & Young Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/ Kwame Nkrumah Avenue
P O Box 62 or 702
Harare Zimbabwe Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 / 773842
Email: admin@zw.ey.com
www.ey.com

FORM OF PROXY

I/We ____

Of ____

____

Being a member of CBZ Holdings Limited and entitled to.............................votes hereby appoint

Of ____

Or failing him/her ____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held in the La Fontaine Restaurant, Meikles Premier Hotel, Harare, on Thursday, 27 April 2017 at 15:00 hours and at any adjournment thereof.

Signed by me this __________________________ day of________________________ 2017

Signature: ____

NOTES:

1. Any member of the Company entitled to attend and vote at the meeting of the company shall be entitled to appoint another person, whether a member of the Company or not, as his proxy to attend, vote and speak in his stead.
2. Proxy Forms should be forwarded to reach office of the Company at least 48 (forty-eight) hours before the time appointed for holding the meeting.
3. An instrument appointing a proxy shall be valid only for the one specified meeting for which it shall be submitted and any adjournment thereof.