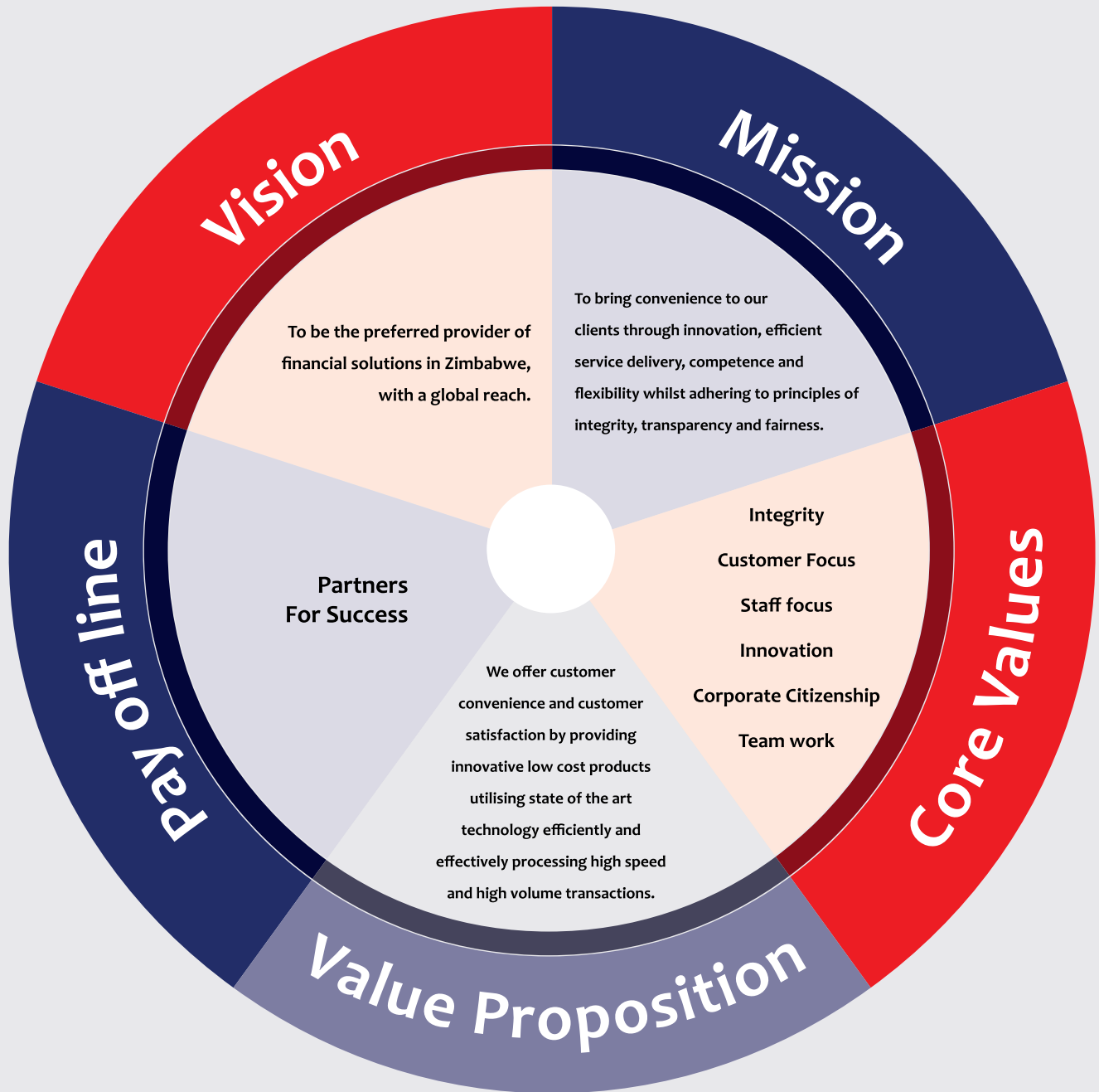


2018

Integrated
Annual Report

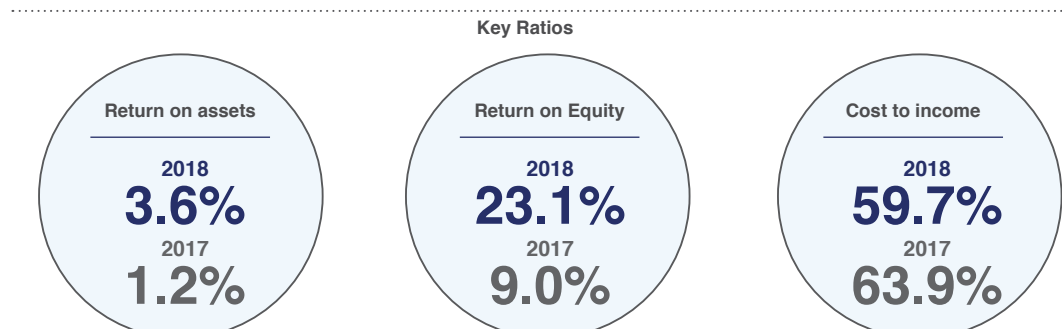
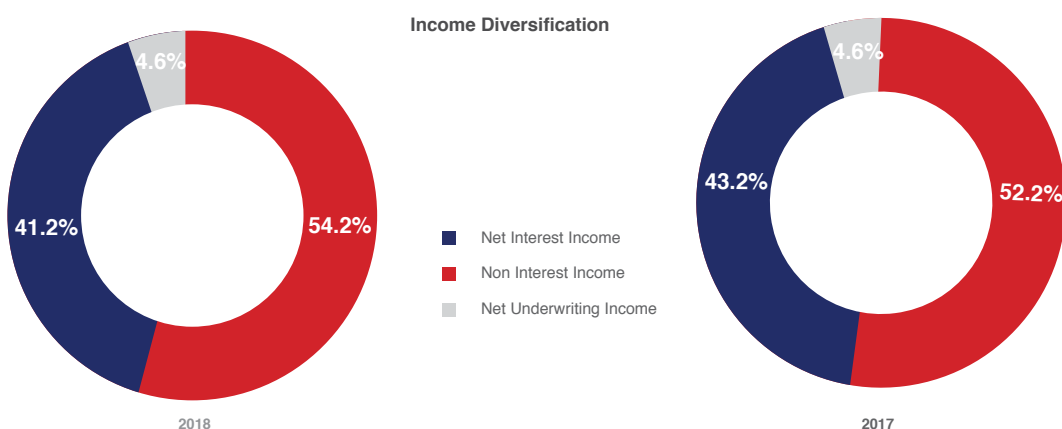
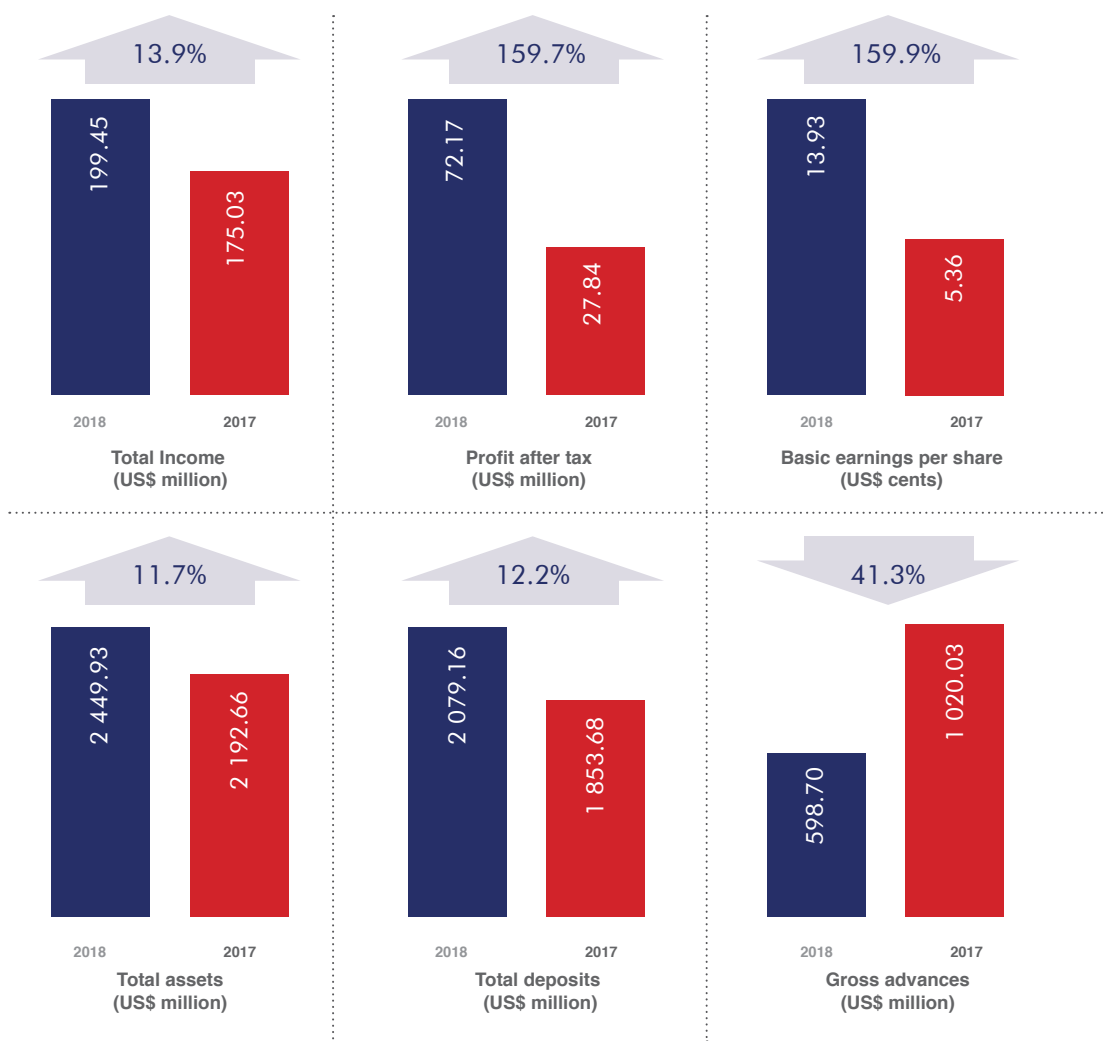


Partners For Success



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GROUP SALIENT FEATURES



CORPORATE PROFILE



BUSINESS OVERVIEW

Group Overview

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

Group Business Model

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

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

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

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

During the year 2018, our preferred business model yielded the following outcomes:

- Well capitalised and profitable business units.
- Creation of shareholder value through increased dividend declaration.
- Community development as evidenced by the various Corporate Social Responsibility (CSR) initiatives.
- Significant contribution towards financial inclusion through introducing the following new products:
 - i. The m POS (Kleva POS).
 - ii. Visa Infinite Card – for affluent clients
 - iii. Express Links MTA – to facilitate payment and receiving of inbound remittances
 - iv. Hospital Cash Plan
 - v. Retirement Planning Products.

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

Markets Analysis

The key pillars that determine our strategy are economic trends, demographics, regulatory requirements, shareholder risk preferences and social impact.

Our predominant market is Zimbabwe, wherein the economy is relatively diversified. Mining, agriculture, manufacturing and tourism contribute immensely to both economic growth and foreign currency earnings. The construction, property, real estate and infrastructure markets generally perform below optimal levels due to the unavailability of suitably structured long term funding, whilst the SMEs and youths are key customer segments.

However, with the economy seemingly at an inflection point, we positioned the Group to unlock value from the Group's land and properties portfolio through increasing our presence in the properties sector through CBZ Properties. The Company is focusing on:

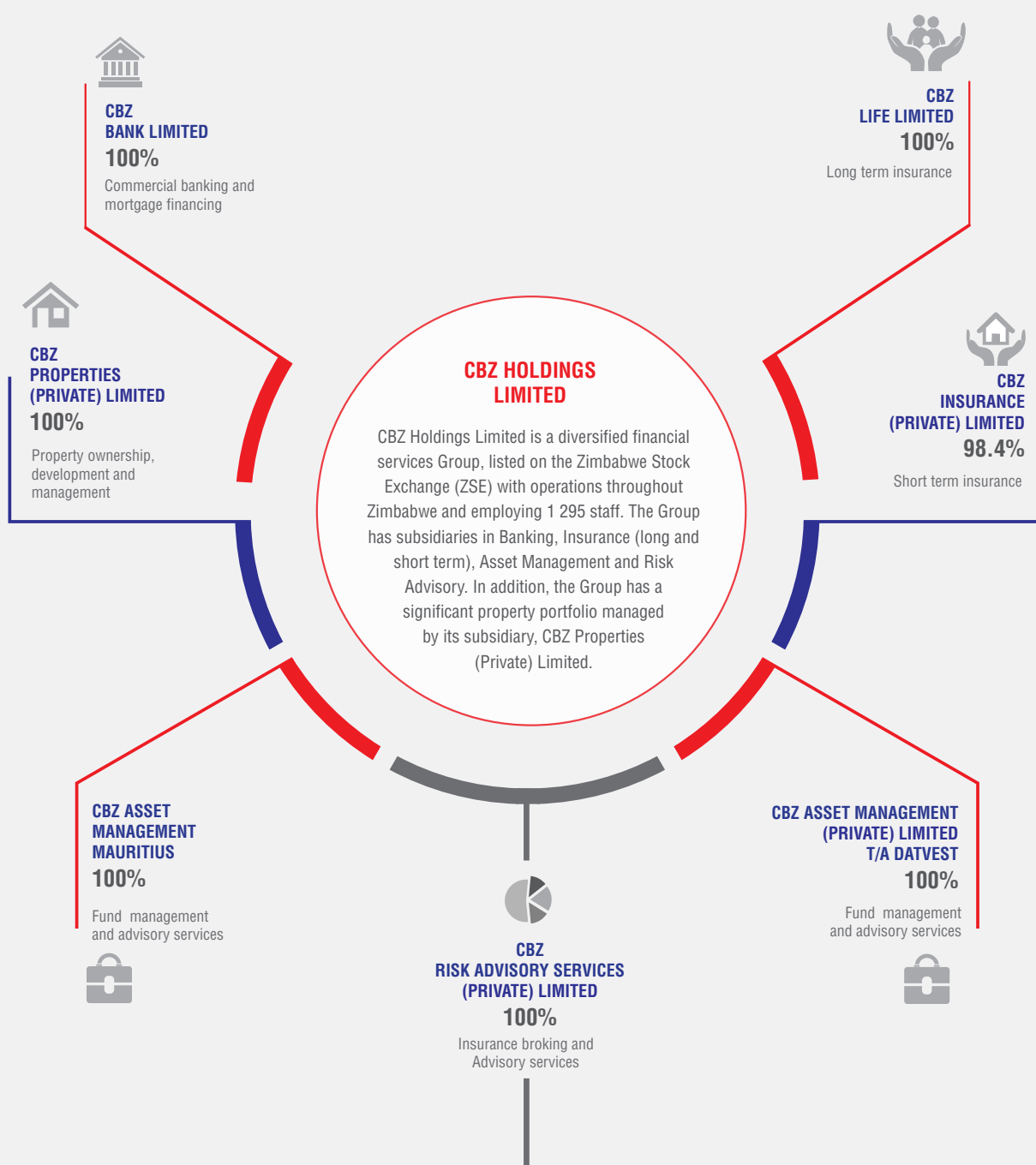
- Property and Infrastructure Development,
- Property Management, and
- Valuations.

The Diaspora community continued to play a significant role in supporting private consumption through remittances, as well as broader economic development through project finance. Our product development and distribution channels, as well as investor engagements were, therefore, carefully structured to incorporate this important market segment.

Our efforts to take advantage of current opportunities, as well as create future business for the Group, saw us organising and hosting the second inaugural CBZ International SMEs Indaba, in March 2018, and the third CBZ Youth Entrepreneurs Program “YEP” in August 2018. These initiatives will go a long way in enhancing our efforts to strengthen our presence in the SMEs, Informal sector and Youths market segments. We will continue to utilise the CBZ Value Chain Financing Model as part of our efforts to support the development of sustainable business models in Zimbabwe.

Lastly, our digital strategy continued to be well received by our various market segments that we operate in. Our game changing mobile app, CBZ Touch, recorded 34% growth in active subscribers. In line with our value proposition, and in view of the dominance of technology in our customers' everyday lives, we will continue to invest in tech driven solutions.

GROUP STRUCTURE











Secure your child's education

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GROUP COMMUNICATION STATEMENTS



NOAH MATIMBA

GROUP CHAIRMAN'S STATEMENT

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

Environment

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

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

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

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

The average lending rates prevailing in the financial sector for individuals and corporates marginally increased from averages of 9.4% and 6.9% in 2017 to 9.5% and 7.1% in 2018 respectively. On the other hand, 1-month and 3-month deposit rates trended downwards, reflecting the generally high levels of local liquidity on the money market.

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

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

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

On the equities market, the all share index advanced by 46.2% to end the year at 146.2 points. The CBZH stock trended in line with the overall market, as reflected below.



Source: ZSE

Governance & Directorate

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

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

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

Corporate Social Responsibility

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

Overview of the Group's performance.

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

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

Dividend

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

Outlook

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

Appreciation

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

N.M. MATIMBA
GROUP CHAIRMAN

25 April 2019



DR. BLESSING MUDAVANHU GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Operating Environment Overview

Zimbabwe's Gross Domestic Product for 2018 was at 4.0 percent aided by modest global growth, high commodity prices and improved market access. To make significant strides there was need for socio-economic transformation and improving the ease of doing business.

Zimbabwe's macroeconomic environment for the financial year 2018 was characterised by two distinctly different six-month periods:

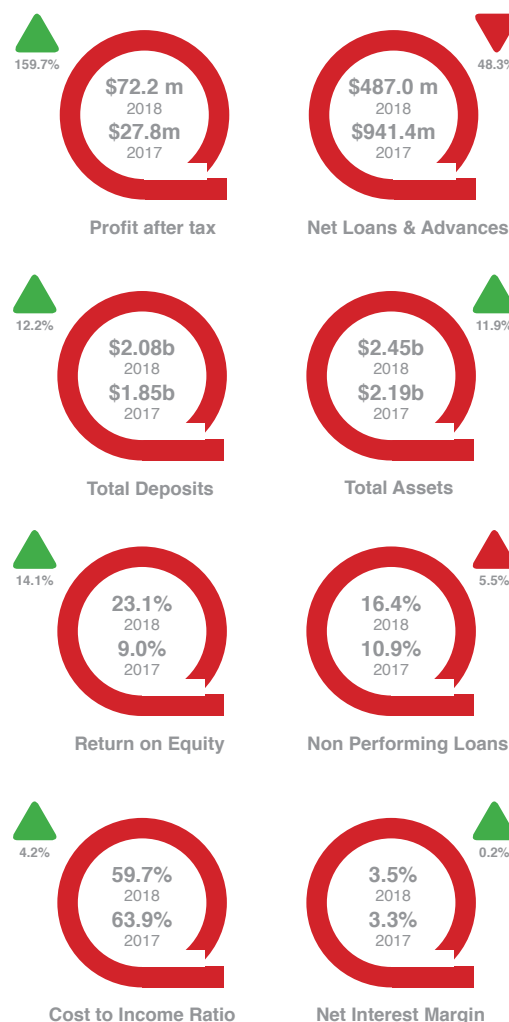
1. In the first half of the financial year, there was political uncertainty and policy ambiguity, which weighed down domestic credit risk appetite, economic activity, and investor and consumer sentiment.
2. The second half of the financial year started more positively following the tightly contested harmonized elections and subsequent appointment of HE President Emmerson Mnangagwa as Head of State and government and the naming of a relatively investor friendly cabinet.

The country continues to face challenges relating to fiscal consolidation and financial sector stabilization, stimulating business growth, investments and foreign exchange generation and improving governance outcomes through continued legislative and institutional reforms. However, such progress on meaningful structural reforms still remain slow.

In spite of these challenges, the Group managed to record a commendable financial performance. This affirmed the strength of the Group's strategy, its ability to manage strategic risks, and the positive impact of the continued support from all stakeholders.

Business Performance

I am pleased to report on the performance of CBZ Holdings Limited for the year ended 31 December 2018. The following statistics summarize the Group's performance.



The Group's focus in 2018 was on customer acquisition and cross-selling into its core transactional retail, commercial, insurance customer bases and investments' unit. This was the main driver of profitability, deposits, premium and funds under management growth.

Against this diverse financial services offering, the businesses produced a strong performance posting a profit of \$72.2 million up from \$27.8 million recorded in 2017 underpinned by quality top-line growth, effective cost management, improved credit operations and recoveries.

Our net advances decreased by 48.3% from the December 2017 figure of \$941.4 million to close the year at \$487.0 million mainly due to repayment of facilities and low credit conversion and utilization rates due to subdued growth in new quality credit.

Non Performing Loans increased to 16.4% from 10.9% in December 2017, primarily due to increases in higher collateralised agriculture Non-Performing Loans and increases in business banking and corporate Non-Performing Loans. The focus going forward is on a regimented credit administration structure and credit risk management platform in line with IFRS 9, Basel II requirements implementation to improve asset quality, credit recoveries and lending processes that are streamlined.

Strategic Overview

The key focus for CBZH remains to create a diversified Group providing sustainable stakeholder value. We take pride in being the biggest financial services entity in Zimbabwe hence our greater responsibility to contribute to the development of Zimbabwe.

The strategic priorities as laid out in our 5-year strategy and our 2018 operational plan were key in achieving our 2018 financial and strategic objectives.

The aforementioned challenges in the operating environment demanded some strategic realignment and refocusing and CBZH believes that some of these challenges are structural rather than cyclical in nature and will prevail for some time. In order to continue to deliver, the Group chooses to be future-fit – improving organizational and operational efficiency by streamlining the organization, its processes and delivering on digital transformation.

The Group's earnings are currently skewed towards CBZ Bank and are generated mainly by Bank's operations through a Bancassurance business model. The Group also believes that through the utilisation of its operating platforms and distribution networks of these businesses, it can enhance its value propositions for its customers through investment banking, asset management, advisory and insurance tailored offerings.

Outlook

The dynamics of doing business in Zimbabwe have changed with small-to-medium enterprises (SMEs) playing a very critical role in the evolution of the economy. Albeit the economic contraction over the last few decades, there are growth prospects in various sectors of the economy. The main growth sectors within the SMEs sector are agriculture and mining. Agriculture is a sector for investment, mainly because Zimbabwe is agro-based and there is room for growth. Mining as a sector is ripe for business, with the main challenge being that it is capital intensive. The mining sector, particularly gold, chrome and lithium, is also open for investment. There are numerous sub-sectors stemming from the two main sectors when we look at their value chains. While there has been significant commodity price volatility, it is our belief that a long-term focus in commodities financing will foster sustainable economic growth.

In addition, due to the country's infrastructure deficit, a number of areas require significant investment. Roads, energy (including renewable energy), refurbishment of airports are the areas that present investment opportunities. The government has signaled its intention to reform a number of State Owned Enterprises (SOEs) through various means, including but not limited to partial privatization and commercialization. The sectors include telecommunications, aviation, petroleum, transport, mining, manufacturing and banking.

CBZH will continue to play a key role in the majority of the aforementioned transactions, both from an advisory and banking services perspective.

In conclusion, our government's initiatives towards economic and social development are encouraging. I am convinced that with increased transparency and commitment to growth, many investors will be interested in the vast opportunities that Zimbabwe has to offer.

As with any change, there is a period of adjustment, which is what we are seeing right now. Nonetheless, it is important to make these difficult decisions in order for the country to advance and experience economic success.



DR. BLESSING MUDAVANHU
GROUP CHIEF EXECUTIVE OFFICER

25 April 2019



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SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS

ANALYSIS BY SHAREHOLDER TYPE

Industry	Holders	% of Holders	Shares	% of Shares
COMPANIES	398	3.68	360 625 547	52.50
INDIVIDUALS	10 184	94.21	22 510 324	3.28
NON RESIDENTS	9	0.08	154 795 186	22.53
PENSION FUND	114	1.05	132 342 622	19.26
NOMINEES	48	0.44	3 870 645	0.56
INVESTMENTS TRUSTS & PROPERTY COMPANIES	37	0.34	828 179	0.12
INSURANCE	19	0.18	11 990 064	1.75
Total	10 809	100.00	686 962 567	100.00

Range	Holders	% of Holders	Shares	% of Shares
0 - 5 000	9 735	90.06	7 633 712	1.11
5 001 - 10 000	443	4.10	3 210 165	0.47
10 001 - 25 000	320	2.96	5 003 278	0.73
25 001 - 100 000	175	1.62	9 086 011	1.32
100 001 - 200 000	38	0.35	5 310 488	0.77
200 001 - 500 000	42	0.39	12 393 708	1.80
500 001 -	56	0.52	644 325 205	93.79
Total	10 809	100.00	686 962 567	100

CONSOLIDATED TOP 10 AS AT 31 DECEMBER 2018

SHAREHOLDER	Shares	% of Total
CBZ HOLDINGS LIMITED	168 981 847	24.58
GOVERNMENT OF ZIMBABWE	110 000 000	16.01
LIBYAN FOREIGN BANK (NEW NON RESIDENT)	96 609 470	14.06
NATIONAL SOCIAL SECURITY AUTHORITY	80 499 805	11.71
PIM NOMINEES (PVT) LTD	46 070 096	6.70
STANBIC NOMINEES (PVT) LTD NNR	29 797 145	4.34
LHG MALTA HOLDINGS LIMITED	26 449 396	3.85
STANBIC NOMINEES (PVT) LTD	26 210 372	3.82
PHARMACEUTICALS AND CHEM D PL	9 200 000	1.34
OLD MUTUAL LIFE ASS CO ZIM LTD	8 675 663	1.26
TOTAL	602 493 794	87.67

OTHER SHAREHOLDERS	84 468 773	12.33
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SHARES IN ISSUE	686 962 567	100.00
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EMPLOYEE SHARE OPTION SCHEME

In a bid to empower staff, the Group launched an employee 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 2018.

Description	Number
Total shares in scheme	40 000 000
Number of options accepted	32 345 000
Number of shares paid for to date	2 818 019
Number of shares paid for during the year	83 072
Total amount received during the year	US\$7 317
Shares bought as % to date	7.0%

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

SHAREHOLDER'S CALENDAR

Financial year end	31 December 2019
ANTICIPATED DATES	
Half year's results to 30 June 2019	August 2019
Full year's results to 31 December 2019	March 2020
Annual Report and Annual General Meeting	May 2020

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CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Introduction

CBZ Holdings Limited is committed to integrating social and environmental concerns in its business operations and interactions with its stakeholders. The Group continues to follow CSR policies and initiatives that are consistent with the standards that are espoused in ISO 26000:2010

In 2018, CBZ Holdings was involved in a number of community driven projects as detailed hereunder:

CBZ Primary Schools Debate Challenge

CBZ Holdings partnered with National Association of Primary Heads (NAPH) and Institute of African Knowledge (INSTAK) in bringing to the nation The CBZ Schools Debate Championships. The CBZ Schools Debate empowered schools and communities through competitive co-curricular activities in preparing our Nations' future leaders and opening smart partnerships for success. The CBZ Schools Debate competitions is a national program encompassing the country's 10 provinces, rolled out throughout the year in 3 phases being the district; the provincial and the national levels. 987 schools participated at the district level during 2018 first term; 103 schools participated at the provincial level throughout 2018 second term. Provincial winners from the 10 provinces competed at the national finals during the first weekend of the third term. Over US\$50,000.00 was invested towards the prizes over and above all other related costs of running the national debate.

The weight of the program, in terms of social impact and magnitude of value to the communities did not go unnoticed and attracted the participation of the Minister of Primary and Secondary Education, Prof. P Mavima who launched the program in March and also officiated at the national finals held in Bulawayo in September 2018.

The National Finals were held at Rainbow Hotel in Bulawayo, the city of Kings and Queens with 10 provincial schools that competed at the National Finals all receiving \$2,000.00 at their Provincial competitions. The three (3) top finalist walked away with prizes of \$15,000.00 as 1st prize; \$10,000.00 – 2nd prize and \$5,000.00 went as 3rd prize. The national final competition was also attended by the NAPH Chairperson, the Director of INSTAK, CBZ Bank Executives and Senior Management.



Mabhukudwana Primary School from Bulawayo Province came second and brought joy to their school by bringing in \$10,000.00 as prize money.

CBZ Youth Entrepreneurship Programme (YEP) Season 3 2018/2019

Season 3 saw 845 young entrepreneurs trained in all the ten provinces while Lupane Rural hosted another workshop outside of the 10 provinces. 20 participants were shortlisted based on their performance during the provincial training and received Seed Capital of USD500 each to inject into their business.

The YEP programme was awarded 1st Runner up in the Best Exceptional Corporate Responsibility by Marketers Association of Zimbabwe. Some of the participants have received the following accolades and recognition:-

- Ropafadzo Zimunya (2017 winner) – Featured in Forbes Africa Magazine
- Junior Bakasa (2017 2nd runner-up) – 2018 Winner, Manufacturing category Zimbabwe National Chamber of Commerce Awards.
- Clive Nyapokoto (2017 1st runner-up) – 2018 Best young farmer of the year Harare Agriculture Show.
- Gladys Chibanda (2017 finalist) – Runner-up 2018 young business leader of the year by PROWEB.



2018/19 YEP Southern Region workshop



2018/19 YEP Victoria Falls Workshop participants

Insiza Bridge Construction

CBZ Holdings partnered the Zimbabwe National Army to put up a Bridge at the Mayfair Dam in Insiza. For a long time, the absence of a bridge at the Mayfair Dam in Insiza Filabusi, made it difficult for the community and motorists visiting the area to move from the north side of the ward to the south. The bridge now links the people of Ntabazinduna, Mberengwa, Filabusi, Shangani, Bulawayo and Mbalabala who were separated by the river. ZNA weighed in with the expertise, labour and other materials for the project to be successfully completed. The Bridge was officially opened on the 9th of September 2018. The construction of the bridge has enabled children from the communities around to easily access school during the rainy season.



The official opening of the Insiza Bridge

Construction of a fully furnished classroom block – Manyire Primary School

CBZ Holdings donated and handed over a furnished classroom block to Manyire Primary School in Chiredzi. The event was attended by CBZ Holdings staff, villagers, local headmen, chiefs, and staff from neighboring schools, councillors, the Zaka East Constituency MP, parents and learners at Manyire primary school. The classroom block was built in partnership with the villagers. The parents set up a building committee and rolled up their sleeves to work tirelessly to see this dream come true. The block and furniture cost in the region US\$24 000.



The fully furnished classroom block that was donated by CBZ Holdings to Manyire Primary School in Chiredzi

Tariro Hope and Faith for Zimbabwe Orphans

Tariro Hope & Health for Zimbabwe's Orphans is a non-profit organization registered in Zimbabwe as a Trust dedicated to empowering and educating girls and young women in order to prevent the spread of HIV/AIDS in the high density suburbs of Zimbabwe's capital, Harare. CBZ Holdings donated \$7,474.00 towards supporting 16 girls' school fees. CBZ Holdings has supported these children for the past 3 years.



CBZ Holdings Donation towards Tariro Trust for 2018 School Fees.

Dondoshava Secondary School

CBZ Holdings donated text books to Dondoshava Secondary School in Manina, Mhondoro Ngezi District with a total enrolment of about 318 students. Learners from Dondoshava had a shortage of textbooks to the extent that 5 learners would share one textbook and this resulted in a low pass rate as learners would take turns to do their homework. CBZ donated school textbooks to enable the students, from a rural school to access the new syllabus.



Donation to Dondoshava Secondary School

Vimbainesu Children's Home

CBZ Holdings has a strong culture of staff volunteering, with staff members contributing many hours 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. The Group Operations Team donated groceries, a 5,000 litre water tank and a 2 Hp submersible pump to Vimbainesu Children's Home in Zvimba

Masuku Government Primary School

The school is one of the oldest Bulawayo Primary Schools situated in the Western Suburbs of Bulawayo – Tshabalala. It caters for low income homes and the self-employed communities that surround the school. In 2018, the school attained a 100% pass rate for grade 7 with 15 learners attaining 5 units. CBZ Holdings staff from Belmont Branch donated brand new ECD books worth \$658. The learners were sharing text books at a ratio of 1 book to 3 students and the donation helped in easing that challenge.



Masuku Primary School Headmaster - Mr. Mathwasa hands over the CBZ Holdings donation to the Head of Department (HOD) of Masuku ECD classes.

Mtora Mission Hospital

CBZ Holdings Nembudziya Staff took their time off their busy schedules to go and share this time with patients at Mtora Mission Hospital – Maternity Ward. Mtora Mission Hospital contributes more than 50% of primary health care delivery in Nembudziya. It is located at the Gokwe North Rural District Growth Point and provides services to underserved, marginalized and vulnerable people that surround the community. Most services offered at Mtora Mission Hospital are free of charge.

Expecting mothers travel long distances to Mtora Mission Hospital and await delivery of their babies for weeks. During this period they provide themselves with food and other primary pre-natal care necessities. CBZ Holdings Staff donated groceries to the Maternity Ward to enable the Hospital to feed the expecting mothers that come from neighboring vulnerable communities.



The donated groceries to the Mtora Mission Hospital Maternity Ward.

Manjokonjo Primary School

CBZ Holdings supports the communities in which it operates in and its strategy is to identify needy cases and help in empowering future leaders in disadvantaged communities. CBZ staff from Gutu Branch working together with the Deputy Head – Mrs Mukakavari and girl's teacher – Mrs Nyarota from Manjokonjo Primary School identified a student and helped in putting a smile on her face by donating school uniform, tracksuit, school shoes and white socks, school bag and hat; and some grocery items.



CBZ Holdings staff pose for a picture with beneficiary of the school uniform.

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Partners For Success



OUR SUCCESS

International Awards

- Best Bank in Zimbabwe 2018 awarded by Global Finance

Zimbabwe National Chamber of Commerce Awards

- Best Financial Institution supporting MSMEs
- Runner Up - Sustainable Development Goals (SDGs) award
- Runner Up Best Bank supporting MSMEs Matabeleland Region
- Best Financial Institution supporting MSMEs - National Awards (3rd time)

Institute of Chartered Secretaries and Administrators in Zimbabwe Awards

- CBZ Holdings – 1st Prize for Best Stakeholder Practices & Sustainability Reporting.
- CBZ Bank – 1st Prize for Best Banking Board Governance Disclosures.
- CBZ Bank – 1st Prize for Overall Best Banking Corporate Governance Disclosures.
- CBZ Bank – Merit Award for Best Banking Risk Management Disclosures.
- CBZ Insurance – 3rd Prize for Best Corporate Governance Disclosures under Short –Term Insurance Companies category

Service Excellence Award - Banking Sector Category (Awarded by CCAZ)

Top Financial Institution in Support of Education (Awarded by KinderCare Zimbabwe)

Marketing Awards (Awarded by Marketers Association of Zimbabwe)

- 1st runner up Best Exceptional CSR campaign of the year - CBZ YEP
- 1st Runner Up-Best PR Practitioner of the year - Moliyn Musemburi
- 2nd runner up-Best Radio advert 2018 - CBZ Touch
- 1st runner up Superbrand of the year Banking sector (CBZ Bank)

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for generations to come. Talk to us today.

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CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

OUR APPROACH TO CORPORATE GOVERNANCE

CBZ Holdings Limited recognizes that effective corporate governance is critical to the proper functioning of the Company and the economy as a whole. In an environment of increasing volume and complexity of regulation, management aims to achieve a balance between the governance expectations of investors and other stakeholders, and the need to generate competitive financial returns. Governance in the Group therefore extends beyond the minimum requirement of compliance with codes, legislation, regulations and listings requirements. The Group's primary objective of corporate governance is grounded on safeguarding stakeholders' interest in conformity with public interest on a sustainable basis.

Application of Corporate Governance Principles

The Board of Directors is actively engaged in overseeing the development of the institution through playing a leading role in the establishment of a solid corporate culture and values. In fulfillment of this function, they are periodically updated on material changes in the institution and the external

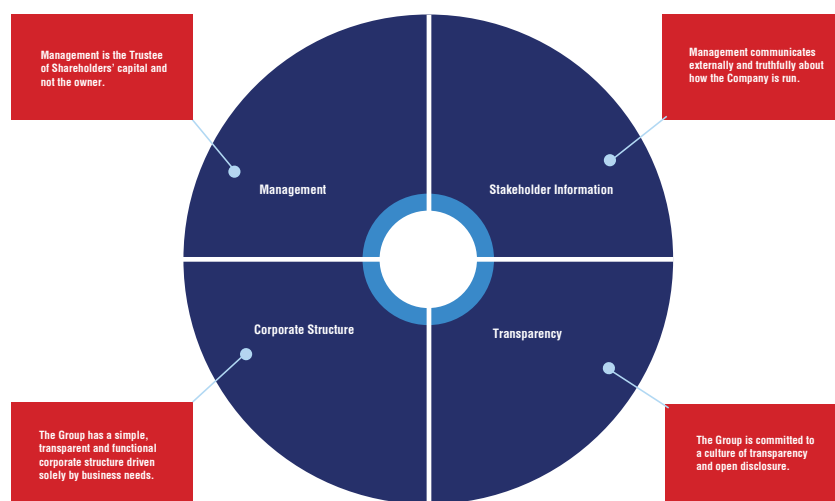
environment, acting in a timely manner to protect the long term interests of the Company. The Directors also ensure the implementation of the Company's governance framework and periodically reviews it to ensure that it remains appropriate and viable in the light of market complexities, geographical footprint, business strategy, and regulatory requirements.

The Group continues to comply with corporate governance provisions in Zimbabwe which include the Reserve Bank of Zimbabwe Corporate Governance Guidelines No. 01-2004/BSD, the Banking Act (Chapter 24:20), the Zimbabwe Corporate Governance Code (ZIMCODE 2014), the South African King Reports and Codes on Corporate Governance.

As globalization and liberalization sweeps across the sectors of the economy, the Group endeavors to develop strategies for managing risks associated with its business and for meeting challenges posed by competitors. Our Board members possess the will to act pro-actively, and through its quarterly review processes, they develop the vision to match the prevailing market standards.

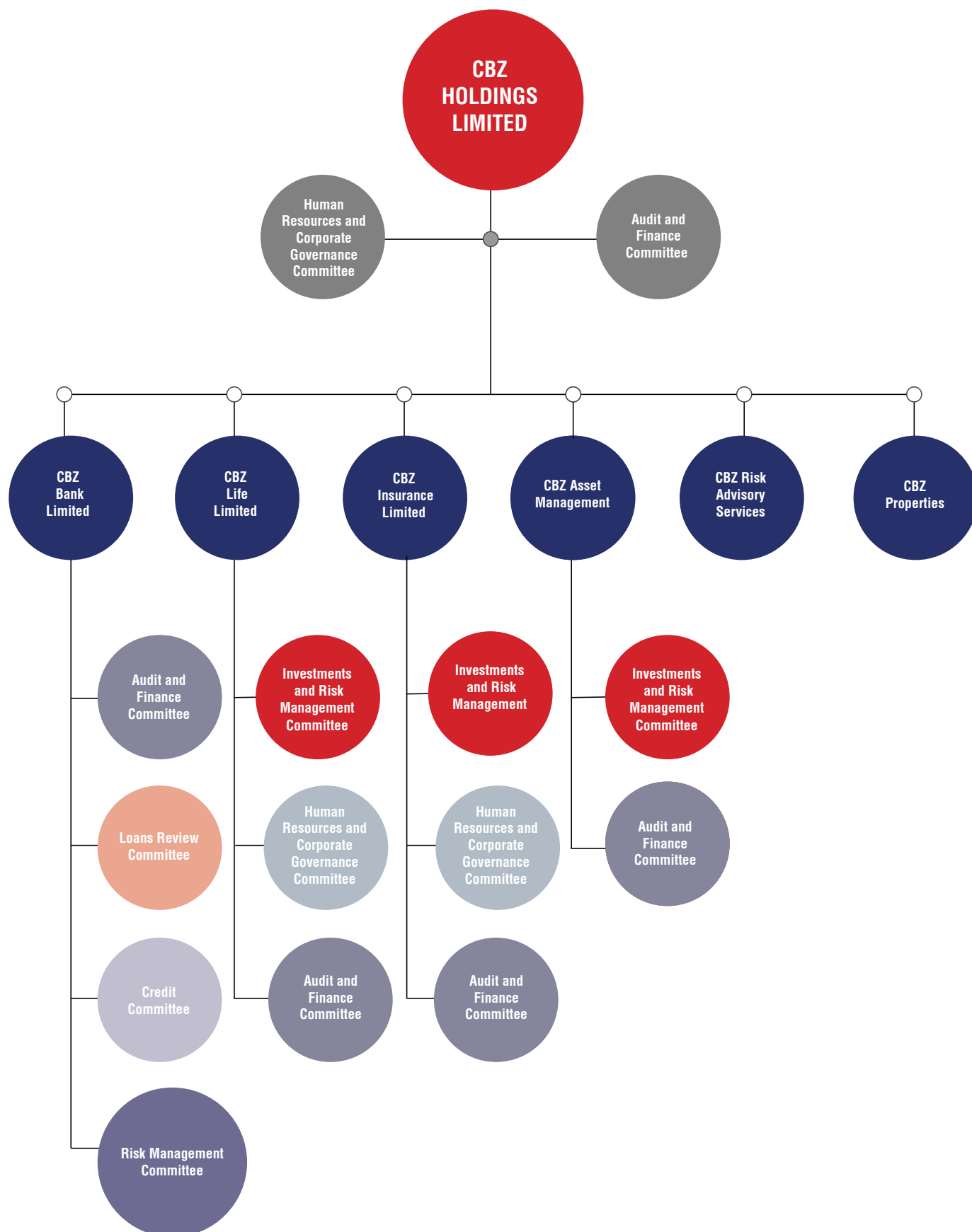
CORPORATE GOVERNANCE FRAMEWORK

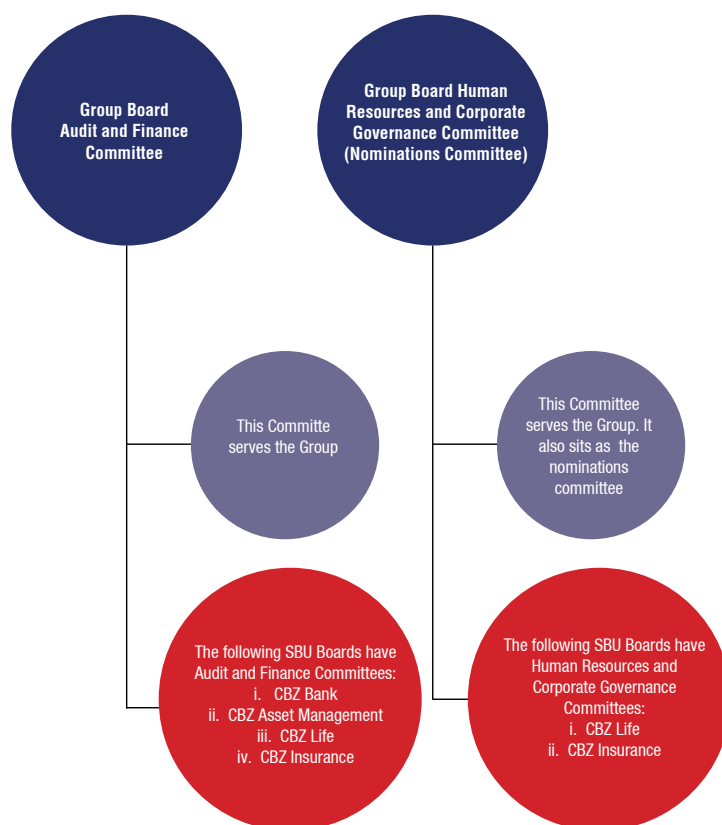
The Company's commitment is to harness principles of good governance as encapsulated in the following diagram:



GROUP GOVERNANCE STRUCTURE

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



Relationship of Group Board Committees with Subsidiaries**BOARD STRUCTURE AND COMPOSITION**

The Group has a board structure with 10 directors, comprising two salaried executive directors and eight non- executive directors. As at 31 December 2018, our Board consisted of the following 10 Members:-

Member	Status
Noah Matimba	Independent Non-Executive Director (Chairman)
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
William John Annandale	Independent Non-Executive Director
Malcolm John Hollingworth*	Independent Non-Executive Director
John Matorofa*	Independent Non- Executive Director
Varaidzo Zifudzi	Non-Independent Non-Executive Director
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Blessing Mudavanhu*	Executive Director
Colin Chimutsa	Executive Director

***Appointments** – Dr. Blessing Mudavanhu, John Matorofa and Malcolm John Hollingworth were appointed to the Board with effect from 1 June 2018, 1 July 2018 and 13 September 2018 respectively.

Regulation of Group Companies

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



THE BOARD OF DIRECTORS

CBZ Insurance (Private) Limited CB (Private) Limited

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

The Board has overall responsibility for: -

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

Role of the Chairman

The role of the Chairman is distinct and separate from that of the Group Chief Executive Officer and there is a clear division of responsibilities with the Chairman leading the Board and the Group Chief Executive Officer managing the Group's business on a day to day basis. The Chairman's key responsibilities are, but not limited to: -

- Provide strong and effective leadership to the Board.
- Ensure the Board is structured effectively and observes the highest standards of integrity and corporate governance.
- Build an effective and complimentary Board with an appropriate balance of skills and personalities
- Facilitate the effective contribution and

encourage active engagement by all members of the board.

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

Role of the Group Chief Executive Officer

The Group Chief Executive Officer has responsibility for the Company's business and acts in accordance with the authority delegated by the Board. The Group Chief Executive Officer's key responsibilities are, but not limited to:

- Develop, drive and deliver the strategy and vision of the Group.
- Drive and deliver performance of the company against set performance and sustainability targets and reporting appropriately to the Board about such performance;
- Establish an organisational structure and operating model for the Group and to ensure effective execution of the strategy, sustainability, governance and control

- imperatives. Ensuring that appropriate Group policies are formulated and implemented;
- Ensure the Group has effective frameworks and structures to identify, assess and mitigate risks;
- Act as champion of the culture and values of the Group, creating an environment 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 Group Legal Corporate Secretary ensure that the Board receives accurate, timely and clear information.
- Monitor and report to the Board on the effectiveness of legal compliance controls, processes, systems and resource capacity;
- Manage the affairs of the Group and its subsidiaries in line with the agreed mandate from the Board of Directors;

Role of the Board of Directors

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. The Board has a fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill and diligence and exercises independent judgment. The Board sets strategic goals and seeks accountability for their fulfilment. The Board also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The roles of the Non-Executive Chairman and the Chief Executive Officer are formalised, separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no one individual having unrestricted decision-making powers. The non-executive directors have extensive business experience and specialist skills across a range of sectors, including accounting, finance, law, risk management, retailing and human resources. This enables them to provide balanced and independent advice and judgement in the decision-making process. The board meets at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings.

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 its memorandum and Articles of Association
- Provisions in the Zimbabwe Corporate Governance Code (2014)
- Provisions in terms of the Banking Amendment Act (2015)
- Provisions in terms of the RBZ Corporate Governance Guideline No.01/2004/BS
- Provisions in terms of the Banking Act [Chapter 24:20]
- Provisions in terms of the Companies Act [Chapter 24:03]
- International best practice guided by the King Reports and Codes of governance.

Board Charter

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

responsibility and accountability for:

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

Availability of information to Board members

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

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

Director Training and Professional Development

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

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

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. The Board Evaluation conducted in year 2018 covered three assessments which were:

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

The results of the 2018 Board Evaluation indicated that the Board and its Directors were strong.

Board Meetings

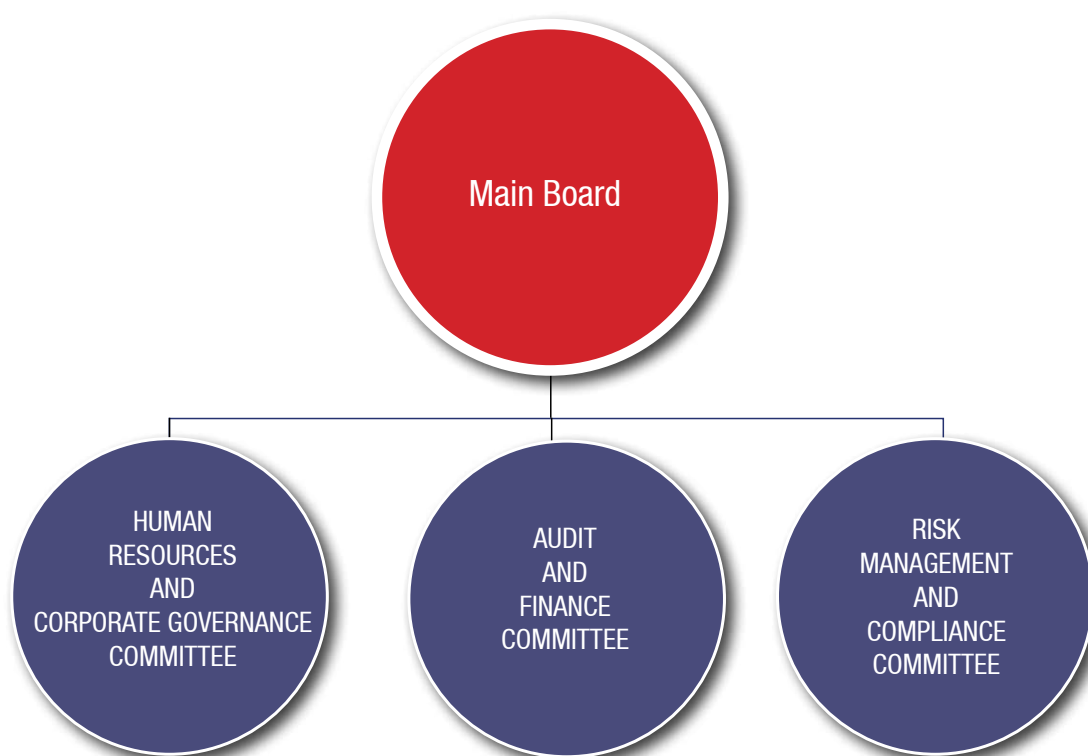
In 2018, a minimum of four formal Board meetings were scheduled and individual attendance by directors at these meetings is presented in the report. The Board meets quarterly. Board meetings are scheduled well in advance according to a board calendar which is set and approved in advance. Additional board meetings, apart from those planned, are convened as circumstances dictate. The Board agenda and meeting structure focuses on strategy, risk management, performance monitoring, governance and

related matters. This ensures that the board's time and energy are appropriately applied. Directors may propose additional matters for discussion at board meetings. In advance of each meeting, the directors are supplied with comprehensive board reports.

Board meetings are conducted in a manner that promotes 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, Chief Compliance Officer, the Group Human Resources Divisional Director 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. In 2018 the Board comprised of three standing committees (see figure 1). As the Board is constantly reevaluating their structures for improved governance, it was considered that the Strategy and Innovation Committee and the Risk Management and Compliance Committees would be better resident with the CBZ Bank Limited Board. Therefore, the CBZ Holdings Board, after Q3 meetings, retained two committees, being the Audit and Finance Committee and the Human Resources and Corporate Governance Committee. The Risk Management and Compliance Committee sat three times during the year before being transferred to the CBZ Bank Board.



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

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

Key

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

GROUP COMMITTEE REPORTS

AUDIT AND FINANCE COMMITTEE REPORT

Role of the Committee

The Committee's 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. The committee is also responsible for considering the adequacy 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. The Committee presides over significant matters reported by the Internal Audit function and the adequacy of corrective action taken in response to significant audit findings. As part of the overall assessment of internal control over financial matters, the committee facilitated the adoption of and implementation of the IFRS 9 financial reporting standards for the Group in 2018.

The Members also evaluate the nature and extent of 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. Other functions include reporting quarterly to the Board on the effectiveness of the Group's internal financial controls; reviewing the cooperation and coordination between the internal and external audit functions and the overall assessment of arrangements made by the Group to enable employees and outsiders to report in confidence their concerns about possible improprieties.

External auditors and external audit

As part of the committee's endeavour to comply with statutory and regulatory provisions, the Committee continues to engage Ernst and Young external auditors for financial reporting.

Major Matters considered by the Committee in 2018

- Annual Review and recommendation of Committee's Terms of Reference to the Board
- The creation of a new Dividend Policy framework which saw the policy adjustment to provide for a long term target payout ratio and also strike a balance between the Groups' interests and its shareholders.
- Final Dividend declaration consideration and interim dividend declaration
- Approval of 2018 Internal Audit Plan
- External Audit fees consideration
- Migration from IAS39 financial reporting system to IFRS 9
- 2018 Budgets and Capital Expenditure
- Cancellation of treasury shares held by CBZ Holdings Limited

Key Priorities for 2019

The year 2019 is set to be no less challenging for the Group and the Committee will continue to balance support to management with an independent oversight function. 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 aimed at embedding the correct culture and behaviors across the Group.

HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE REPORT

Role of the Committee

The main role and responsibilities of the Committee are set out in the written terms of reference. These are reviewed on an annual basis and during the 2018 financial year, this took place in the first quarter. Some of the Committee's responsibilities are as follows:

- Sets out the overarching principles and parameters of committee's 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
- 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 Resource 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 focused on succession planning, leadership development and talent management.

The Group Human Resources and Corporate Governance Committee also reviews and makes appropriate recommendations to the Board on the appointment of Directors, the structures of the Board and membership of the Board's main standing. It also reviews development and succession plans for the Group's most senior Executive Management and some appointments to the Boards and standing committees of subsidiaries in line with the Group Operating Model.

The Group 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 Group Human Resources and Corporate Governance Committee determines whether it will recommend to shareholders that they vote in favor 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.

We believe that orderly succession and renewal contributes to strong Corporate Governance and is achieved by careful planning and continual review. The Group 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 2018. The Committee's work involved:

- Handling the appointment of the new Group Chief Executive Officer, Dr. Blessing Mudavanhu
- Facilitating the appointment of new Directors onto the Board being: the incoming Group CEO, Dr. Blessing Mudavanhu, Mr John Matorofa and Mr. Malcom John Hollingworth
- Annual Board Evaluation facilitated by independent external consultants
- Conducting the Fitness and Probity Assessment tests of the new Board Members in line with regulatory requirements
- Oversight over the Employee Share Option Scheme
- Review of Executive and Director Remuneration and compensation packages

Principal Activities of the Committee during the year:

- Facilitating the Job Evaluation exercise and the creation of a Grading matrix in line with the guidelines of the National Employment Council
- Conducting of a salary survey and benchmarking process
- Introduction of a Balanced Scorecard management appraisal system
- Extending the staff development policy scope to cover tertiary advancement of non-managerial staff
- Non-Executive Directors and Senior Executive remuneration.

Succession Planning

A succession planning review of both the Non-Executive Directors and the Senior Executives was ongoing throughout the year to ensure that the appropriate succession plans for key roles have been identified and developed.

Board Evaluations

The Annual Board Evaluation Exercise was conducted through external independent consultants. The Committee is satisfied with the outcome of the process and concludes that all Directors are effective in their function to provide meaningful contribution to the Board.

GROUP LEGAL CORPORATE SECRETARY

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

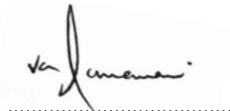
The Group Legal Corporate Secretary oversees the training and induction of new directors and assists the Chairman and the Group Chief Executive Officer to determine the board agendas, as well as to formulate governance and Board related issues. She acts as a trusted advisor in the effective functioning 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 Bank complied with the requisite regulatory requirements.

By order of the Board



.....
RUMBIDZAYI ANGELINE JAKANANI
GROUP LEGAL CORPORATE SECRETARY

25 April 2019

REPORT OF THE DIRECTORS

We have the pleasure in presenting our report and the audited financial statements for the year ended 31 December 2018.

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: 686 962 567 ordinary shares

INCORPORATION, ACTIVITIES AND RESULTS

The Group offers commercial banking, mortgage finance, asset management, short and long term insurance and other 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 2018 US\$	31 Dec 2017 US\$
Dividend Payout	3 966 065	2 549 966
Retained for future growth	68 196 701	25 232 925
	72 162 766	27 782 891

Directorate as at 31 December 2018

Noah Matimba	Independent Non-Executive Director (Chairperson)
Roseline Nhamo	Independent Non-Executive Director
Givemore Taputaira	Independent Non-Executive Director
William Annandale	Independent Non-Executive Director
Varaidzo Zifudzi	Non-Independent Non-Executive Director
John Matorofa	Independent Non-Executive Director
Malcolm John Hollingworth	Independent Non-Executive Director
Fouad Mokhtar Dernawi	Non-Independent Non-Executive Director
Colin Chimutsa*	Executive Director
Dr. Blessing Mudavanhu*	Executive Director

* Executive

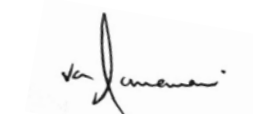
Rumbidzayi Angeline Jakanani

Group Legal Corporate Secretary

DIVIDEND ANNOUNCEMENT

The Board has decided to declare a final dividend of US\$6 430 606 for the year ended 31 December 2018.

By order of the Board

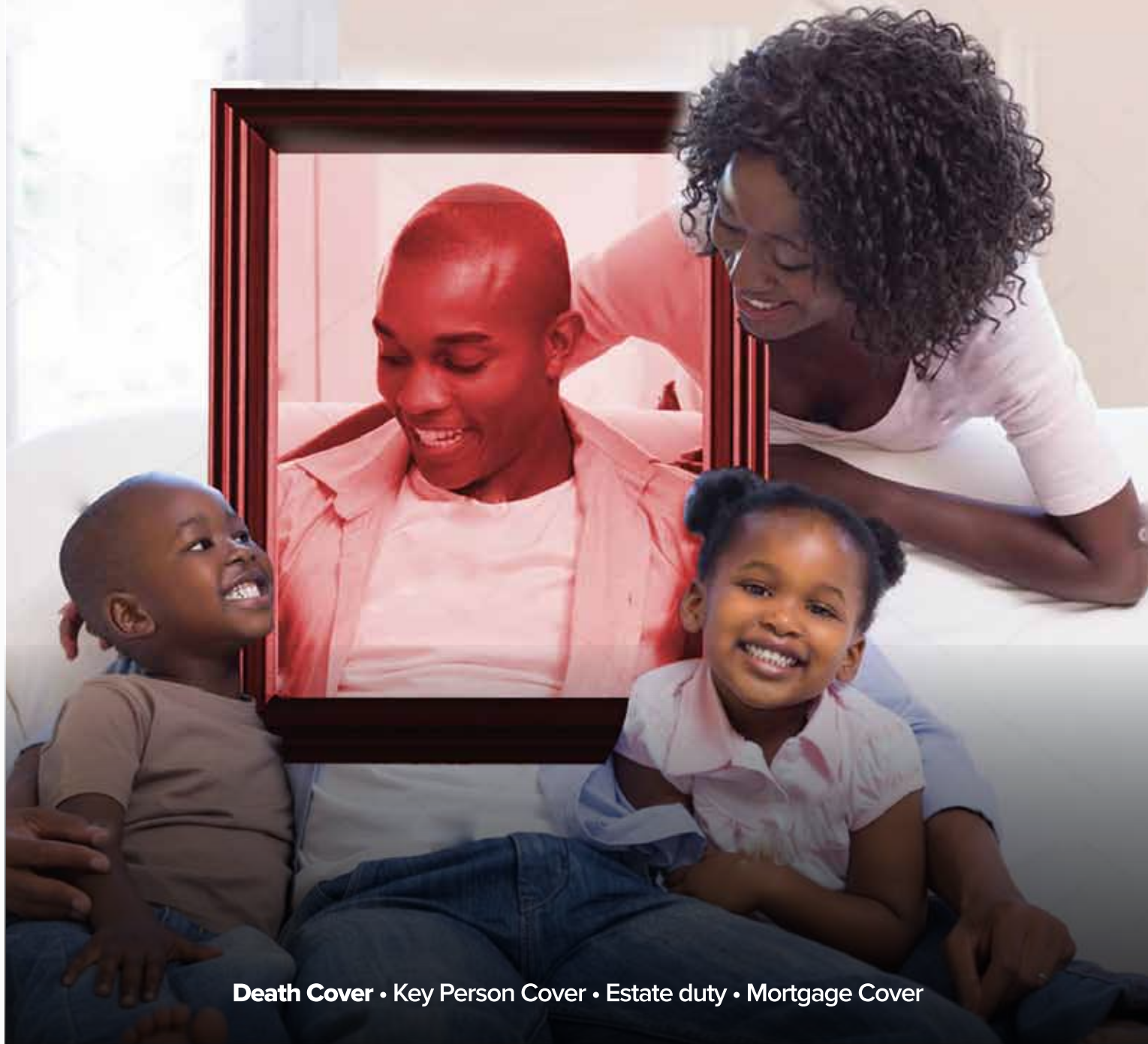


RUMBIDZAYI A. JAKANANI
GROUP LEGAL CORPORATE SECRETARY

25 April 2019

Continue to provide for them, like you're there!

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BOARD OF DIRECTORS



Seated: Roseline Nhamo, Noah M Matimba, Blessing Mudavanhu, Rumbidzayi Angeline Jakanani

Standing: John Matorofa, Malcolm John Hollingworth, Varaidzo Zifudzi, Givemore Taputaira, Fouad Mokhtar Dernawi, Colin Chimutsa, William John Annandale



OUR DIRECTORATE

Fouad Mokhtar Dernawi
Age:66
Nationality: Libyan



Varaidzo Zifudzi
Age:50
Nationality: Zimbabwean



Malcolm John Hollingworth
Age: 70
Nationality: Zimbabwean



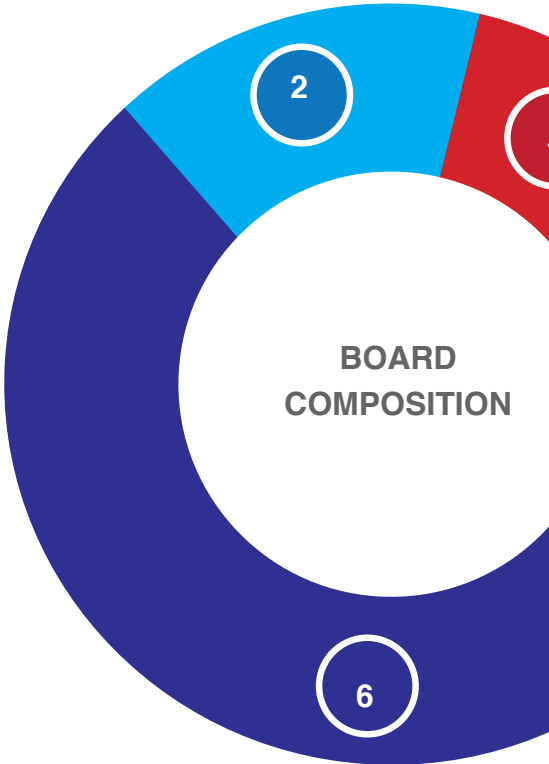
Noah Manomano Matimba
Age: 66
Nationality: Zimbabwean



Roseline Nhamo
Age: 49
Nationality: Zimbabwean



John Matorofa
Age:50
Nationality: Zimbabwean





Dr. Blessing Mudavanhu
Age: 47
Nationality: Zimbabwean



Colin Chimutsa
Age: 55
Nationality: Zimbabwean








Rumbidzayi Angeline Jakanani
Age: 41
Nationality: Zimbabwean



William John Annandale
Age: 62
Nationality: British (Zimbabwean dual)









Givemore Taputaira
Age: 50
Nationality: Zimbabwean

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



		
<p>Noah Manomano Matimba Age: 66 Nationality: Zimbabwean</p>	<p>Dr Blessing Mudavanhu Age: 47 Nationality: Zimbabwean</p>	<p>Colin Chimutsa Age: 55 Nationality: Zimbabwean</p>
<p>Qualifications</p> <ul style="list-style-type: none"> Bachelor of Accountancy (Hons) Degree – University of Zimbabwe, Masters in Business Leadership – University of South Africa (UNISA) 	<p>Qualifications</p> <ul style="list-style-type: none"> Ph.D. Mathematics, University of Washington, USA M.S. Financial Engineering, University of California at Berkeley, USA M.S. Applied Mathematics, University of Washington, USA B.S. Masters in Financial Engineering – University of California at Berkeley (USA) Honours Degree in Mathematics, University of Zimbabwe 	<p>Qualifications</p> <ul style="list-style-type: none"> B.Acc. (Hons) University of Zimbabwe Chartered Accountant (Zimbabwe) (CAZ)
<p>Capacity Independent Non-Executive Director and Chairman of the Board</p>	<p>Capacity Group Chief Executive Officer</p>	<p>Capacity Executive Director Group Chief Finance Officer</p>
<p>Date of Appointment 1 July 2017</p>	<p>Date of Appointment 1 June 2018</p>	<p>Date of Appointment 1 May 2014</p>
<p>Expertise & Experience</p> <p>Noah is a highly experienced Business Management Executive and Consultant in the areas of strategy development and implementation spanning over 31 years, with extensive experience in the mining and manufacturing sectors, as well as private, public and non-governmental organisation sectors, having worked and undertaken consultancy projects in different countries in Southern Africa.</p> <p>Noah holds amongst other qualifications, a Bachelor of Accountancy (Hons) Degree from the University of Zimbabwe and a Masters in Business Leadership from the University of South Africa. He is currently Chairman of the Board of Governors of the Zimbabwe Institute of Public Administration and Management (ZIPAM), Chairman and Partner at Q Partnership Consultancy. Previous appointments include being on the board of BancABC Zimbabwe, Chief Executive Officer at a mining company, RioZim, Managing Director at a jewellery manufacturing company, Aurex Pty Limited (A Reserve Bank of Zimbabwe Subsidiary), and as Divisional Finance and Commercial Director at Anglo American Corporation.</p>	<p>Expertise and Experience</p> <p>Blessing has over 15 years' experience in the regional and international financial services markets and brings with him a wealth of knowledge and experience in risk management. He holds a Doctorate in Mathematics from the University of Washington (USA) and a Masters in Financial Engineering from the University of California at Berkeley (USA).</p> <p>Upon completion of his studies, Blessing joined American International Group (AIG) in New York as a Senior Risk Analytics Associate. Following his time at AIG, Blessing joined Bank of America Merrill Lynch as Director in Global Risk Management encompassing New York City, London, Mexico City and Sao Paulo.</p> <p>In 2009, Blessing joined African Banking Corporation as Group Chief Risk Officer and served as Acting Group Chief Executive Officer for 2 years. BancABC had operations in Botswana, Mozambique, Tanzania, Zambia, Zimbabwe and a minority interest in a large Nigerian Bank. He left African Banking Corporation in January 2017 to set up Dura Capital LLC where he is the Founder and Director</p>	<p>Expertise & Experience</p> <p>Colin 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, Colin was Finance Director of United Bottlers. Colin has an extensive background and experience in Finance</p>
<p>External Appointments</p> <ul style="list-style-type: none"> Board of Governors of Zimbabwe Public Administration and Management (ZIPAM) Q Partnership Consultancy Zimbabwe Agriculture Society 	<p>External Appointments</p> <ul style="list-style-type: none"> Dura Capital Development Bank of Southern Africa 	<p>External Appointments None</p>
<p>Committee Membership None</p>	<p>Committee Membership (by invitation)</p> <ul style="list-style-type: none"> Human Resources and Corporate Governance 	<p>Committee Membership (all by invitation)</p> <ul style="list-style-type: none"> Board Audit & Finance Committee

		
<p>William John Annandale Age: 62 Nationality: British (Zimbabwean dual)</p>	<p>Fouad Mokhtar Dernawi Age: 66 Nationality: Libyan</p>	<p>John Matorofa Age: 50 Nationality: Zimbabwean</p>
<p>Qualifications</p> <ul style="list-style-type: none"> Bachelor of Arts General-University of Zimbabwe Graduate Certificate in Education 	<p>Qualifications</p> <ul style="list-style-type: none"> 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 	<p>Qualifications</p> <ul style="list-style-type: none"> Bachelor of Accountancy (Honours) – University of Zimbabwe Chartered Accountant (Zimbabwe) (CA (Z)) M B A (Nottingham Trent University) 2007
<p>Capacity Independent Non-Executive Director</p>	<p>Capacity Non Independent Non Executive Director</p>	<p>Capacity Independent Non-Executive Director</p>
<p>Date of Appointment 3 August 2017</p>	<p>Date of Appointment 24 June 2009</p>	<p>Date of Appointment 1 June 2018</p>
<p>Expertise & Experience William is an education practitioner by profession and a former Headmaster at St Johns College in Harare, a position he held for six years. He was previously the General Manager of Gallo Records Company.</p>	<p>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.</p>	<p>Expertise & Experience John is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of Zimbabwe with over 22 years post qualification experience at executive management level in various leading corporates. He holds an MBA qualification with Nottingham Trent University (UK).</p>
<p>External Appointments None</p>	<p>External Appointments None</p>	<p>External Appointments None</p>
<p>Committee Membership</p> <ul style="list-style-type: none"> Human Resources and Corporate Governance 	<p>Committee Membership</p> <ul style="list-style-type: none"> Audit and Finance Committee 	<p>Committee Membership</p> <ul style="list-style-type: none"> Audit and Finance Committee (Chairperson)

		
<p>Roseline Nhamo Age: 49 Nationality: Zimbabwean</p>	<p>Malcolm John Hollingworth Age: 70 Nationality: Zimbabwean</p>	<p>Givemore Taputaira Age: 50 Nationality: Zimbabwean</p>
<p>Qualifications</p> <ul style="list-style-type: none"> • MBA – Nottingham Trent University (UK) • Bachelor of Business Studies Honours Degree – University of Zimbabwe • Diploma in Personnel Management – Institute of Personnel Management of Zimbabwe 	<p>Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Accounting Sciences (1981) • Chartered Accountant of Zimbabwe (1982) 	<p>Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Science – University of Zimbabwe • Master's in Business Administration – University of Zimbabwe
<p>Capacity Independent Non-Executive Director</p>	<p>Capacity Independent Non-Executive Director</p>	<p>Capacity Independent Non-Executive Director</p>
<p>Date of Appointment 24 June 2009</p>	<p>Date of Appointment 13 September 2018</p>	<p>Date of Appointment 24 June 2009</p>
<p>Expertise & Experience</p> <p>Roseline is a leading Human Resources Practitioner in Zimbabwe. Currently she is the Managing Director of Distinctive Consultancy Services. She has vast experience in Human Resources Management, Strategic Management and Marketing. She sits on the boards of the Legal Resources Foundation and Tropical Reinsurance. She is also a part time lecturer on the University of Gloucestershire MBA Programme</p>	<p>Expertise and Experience</p> <p>Malcom is a Chartered Accountant by profession and is presently an independent financial and business advisor. He has vast leadership experience having previously worked as Managing Director for African Distillers and Puzey and Payne amongst other organizations.</p>	<p>Expertise & Experience</p> <p>Givemore is the Managing Director of Hotel and Leisure Solutions, a company that provides ICT solutions to the Hospitality and Leisure industry. Givemore has worked across Africa on Business Development and IT Projects. He has experience in ICT, Project Management and Business Development</p>
<p>External Appointments</p> <ul style="list-style-type: none"> • Distinctive Consultancy • Tropical Reinsurance • Competition and tariffs commission 	<p>External Appointments</p> <p>African Distillers Ltd</p>	<p>External Appointments</p> <ul style="list-style-type: none"> • Bretwin Investments • Viola Investments • Learthrust Investments
<p>Committee Membership</p> <p>HR and Corporate Governance Committee (Chairperson)</p>	<p>Committee Membership</p> <p>Audit and Finance Committee</p>	<p>Committee Membership</p> <p>Audit and Finance Committee</p>

	
<p>Varaidzo Zifudzi Age:50 Nationality: Zimbabwean</p>	<p>Rumbidzayi Angeline Jakanani Age 41 Nationality: Zimbabwean</p>
<p>Qualifications</p> <ul style="list-style-type: none"> Bachelors of Law (Hons)–University of Zimbabwe Masters of Law (International Economic Law) Post Graduate Diploma (EU Competition Law) 	<p>Qualifications</p> <ul style="list-style-type: none"> Bachelor of Law (Hons) – University of Zimbabwe Master of Law in International Economic Law (University of Warwick UK) Master of Business Administration Degree in Strategic Management (Student at NUST)
<p>Capacity Non Independent Non Executive Director</p>	<p>Capacity Group Legal Corporate Secretary (Ex officio member of the Board)</p>
<p>Date of Appointment 3 August 2017</p>	<p>Date of appointment 1 April 2012</p>
<p>Expertise & Experience Varaidzo is the Principal Director Legal: Ministry of Finance and Economic Development a position she assumed in 2014. Prior to joining the Ministry, Varaidzo worked in various capacities for organizations such as Mhishi Legal Practice (2012-2014), Southern Trust Advisory Services (2008-2014), ZABG (2005-2008) as well as Kingdom Bank (2003-2005)</p>	<p>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.</p>
<p>External Appointments</p> <ul style="list-style-type: none"> National Prosecuting Authority Makaya Holdings Southern Trust Securities 	<p>External Appointments</p> <ul style="list-style-type: none"> None
<p>Committee Membership HR and Corporate Governance Committee</p>	

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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 management 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 the Directors face.

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

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

Compliance with Local Legislation

These financial statements comply with the Companies Act (Chapter 24:03), Banking Act (Chapter 24:20), Insurance Act (Chapter 24:07); the Building Societies Act (Chapter 24:02), securities Act (Chapter 24:25), Asset Management Act, and Statutory Instruments (SI 33/99, SI 62/99). Further, these financial statements have been prepared to comply with the Statutory Instrument 33 of 2019, issued on 22 February 2019 and the guidance issued by the Public Accountants and Auditors Board (PAAB). Mainly, Statutory Instrument 33 of 2019 specified, among other things, that for accounting and other purposes, all assets and liabilities that were immediately before the effective date valued in United States Dollars (other than assets and liabilities referred to in section 44C (2) of the Reserve Bank of Zimbabwe Act), shall on and after the effective date, (22 February 2019) be deemed to be values in RTGS dollars at a rate of one-to-one to the United States Dollar. This Statutory Instrument, based on the Directors interpretation, prescribes parity between the US Dollar and local currency as at 31 December 2018.

Compliance with IFRS

The financial 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. These Statements are prepared in order to comply with International Financial Reporting Statements (IFRS), (promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions). In the previous reporting periods, the Group's financial statements have complied in full with IFRSs, it has been impracticable in 2018, due to the need to comply with local legislation, specifically Statutory Instrument 33 of 2019. The Directors are of the view that the requirement to comply with the Statutory Instrument has created inconsistencies with International Accounting Standard (IAS) 21 (The effects of changes foreign exchange rates) as well as with the principles embedded in the IFRS Conceptual Framework (see also guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the accounting treatment adopted in the 2018 Financial Statements being different from that which the Directors would have adopted if the Group had been able to fully comply with IFRSs.

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 to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements. The Directors have provided in note 38 a sensitivity analysis on how different exchange rates would have impacted the financial statements and therefore the Group's going concern status as at 31 December 2018.

Responsibility

The Directors are responsible for preparing the Annual financial statements. The financial statements were prepared by CBZ Holdings Limited Finance Department under the direction and supervision of the Group Chief Finance Officer, Mr Colin Chimutsa (PAAB Number 00113).

By order of the Board



N.M. MATIMBA
GROUP CHAIRMAN



DR. B. MUDAVANHU
GROUP CEO

25 April 2019

25 April 2019



Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/
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Email: admin@zw.ey.com
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Independent Auditor's Report

To the Shareholders of CBZ Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of CBZ Holdings Limited and its subsidiaries (the Group), set out on pages 54 to 110 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Adverse Opinion

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

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

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

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

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

The financial statements of the group include balances and transactions denominated in RTGS\$ that were not converted to US\$ at an RTGS\$: US\$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. The directors have prioritised compliance with the requirements of SI33, despite the fact that the requirements of IAS21 would not be met. Further disclosure on this matter is included in Note 38 to the financial statements.

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

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

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

Key Audit Matters

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

Other information

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

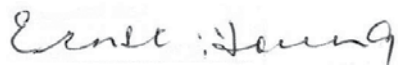
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

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



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

09 May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Interest income	2	128 054 100	152 949 238
Interest expense	2	(45 970 412)	(77 390 065)
Net interest income		82 083 688	75 559 173
Net non-interest income	3	108 129 808	91 398 386
Net underwriting income	4	9 237 535	8 076 286
Total income		199 451 031	175 033 845
Operating expenditure	5	(119 057 345)	(111 905 039)
Operating income		80 393 686	63 128 806
Transfer to annuity reserve		(31 526)	-
Credit loss expense	14.1	2 727 967	(36 011 671)
Profit before taxation		83 090 127	27 117 135
Taxation	6.1	(10 918 505)	721 783
Profit for the year after taxation		72 171 622	27 838 918
Other comprehensive income			
Gains on property revaluation		3 948 791	2 203 767
Fair value loss on unquoted investments		(190 287)	-
Deferred income tax relating to components of other comprehensive income	6.3	(696 869)	(366 225)
Other comprehensive income for the year, net of tax		3 061 635	1 837 542
Total comprehensive income for the year		75 233 257	29 676 460
Profit for the year attributable to:			
Equity holders of parent		72 162 766	27 782 891
Non-controlling interests	29.9	8 856	56 027
Profit for the year		72 171 622	27 838 918
Total comprehensive income attributable to:			
Equity holders of parent		75 224 401	29 620 433
Non-controlling interests	29.9	8 856	56 027
Total comprehensive income for the year		75 233 257	29 676 460
Earnings per share (cents):			
Basic	7.1	13.93	5.36
Fully diluted	7.1	13.64	5.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
ASSETS			
Balances with banks and cash	9	376 338 271	89 606 676
Money market assets	10	70 741 297	45 820 077
Financial securities	11	1 244 941 623	899 862 222
Loans and advances to customers	12	486 996 095	941 408 103
Insurance assets	13	8 793 176	4 812 830
Equity investments	16	26 000 396	10 687 540
Other assets	15	81 736 229	72 016 809
Current tax receivable		1 490 449	621 938
Intangible assets	21	1 613 698	2 530 080
Property and equipment	19	77 429 469	71 605 721
Investment properties	20	37 558 578	33 950 354
Deferred tax asset	22.1	36 293 479	19 732 819
TOTAL ASSETS		2 449 932 760	2 192 655 169
LIABILITIES			
Deposits	23	2 079 155 395	1 853 677 673
Insurance liabilities	24	9 040 319	5 453 852
Other liabilities	25	37 589 913	17 951 208
Current tax payable		106 655	18 055
Life fund	26	1 593 605	1 465 928
Life assurance investment contract liabilities	27	2 393 424	1 806 932
Deferred tax liability	22.2	4 252 915	2 595 916
TOTAL LIABILITIES		2 134 132 226	1 882 969 564
EQUITY			
Share capital	29.1	6 869 625	6 868 795
Share premium	29.2	40 023 014	40 013 748
Treasury shares	29.3	(17 588 582)	(17 588 582)
Revaluation reserve	29.4	32 139 314	28 927 524
Share option reserve	29.5	1 163 806	1 135 049
Fair value reserve	29.8	8 153 639	-
Revenue reserve	29.6	244 917 776	250 212 784
Equity attributable to equity holders of the parent		315 678 592	309 569 318
Non-controlling interests	29.9	121 942	116 287
TOTAL EQUITY		315 800 534	309 685 605
TOTAL LIABILITIES AND EQUITY		2 449 932 760	2 192 655 169

N. Matimba
GROUP CHAIRMAN

25 April 2019

Dr. B. Mudavanhu
**GROUP CHIEF
EXECUTIVE OFFICER**

R. A. Jakanani
**GROUP LEGAL
CORPORATE SECRETARY**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

GROUP ACCOUNTING POLICIES

1. GROUP ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies of the Group.

1.1 BASIS OF PREPARATION

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

Functional and Presentation Currency

The Group financial results are presented in United States dollars (US\$), the Group's functional and presentation currency and all values are rounded to the nearest US\$ except when otherwise indicated. As prescribed by the statutory Instrument 33 of (SI 33) of 2019, for the 2018 financial statements, the Group has adopted the United States dollars (USD) as the functional currency not withstanding requirements of IFRS. The paragraphs below provide further details on the determination of the Group's functional currency.

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

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

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

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

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

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

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.

Basis of consolidation (continued)

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 RETROSPECTIVE APPLICATION ELECTION

IFRS 9 and IFRS 15 contain exemptions from full retrospective application for the classification and measurement requirements of the new standards, including impairment. These include an exception from the requirement to restate comparative information. Because the Group has elected not to restate comparatives, different accounting policies apply to financial assets and financial liabilities pre- and post-adoption of the standards. Therefore, both the pre- and post-adoption accounting policies for financial instruments and revenue from contracts with customers are disclosed under the accounting policies section.

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Fair value measurement principles

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

The Group adopted the Directors valuation on its Investment properties, land inventory and properties and equipment. The frequency of valuations depends on the changes in the fair values of the items of property plant and equipment being revalued.

Expected Credit Loss

Applicable from 1 January 2018

The Group reviews individually all financial assets at the reporting date to assess whether there has been increase in credit risk for the purposes of expected credit loss expense calculation. In particular, judgement by Management is required on key concepts such as whether there has been a significant increase in credit risk, measurement of lifetime expected credit losses and forward-looking assumptions on determining the probability of default. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

IFRS 9 requires the assessment of the Expected Credit loss (ECL) on all financial assets from initial recognition. The ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Group records the expected loss expense through profit or loss. Refer to note 14.1 for more detail on the Expected Credit loss (ECL) expense on financial assets.

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.

Impairment of loans and advances and financial guarantees

Applicable before 1 January 2018

The Group reviews individually significant loans and advances at 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 and when it is lower, the Group takes account of the IAS 39 provisions. 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 reassesses the estimated useful life for property and equipment at each reporting period. The reassessment takes into account physical status, technological trends and historical usage. Where the reassessment indicates a change in the useful life the change is treated as a change in accounting estimate and accounted for prospectively in line with IAS 8. Refer to accounting policy note 1.6 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 the end of its useful life. The estimated residual values of property and equipment are determined at each reporting date. The residual values are taken into account on depreciation calculation where 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 the estimated residual values. Where there has been a change on the residual value of an asset of property and equipment the change is accounted for prospectively as a change in accounting estimate. The average of 10% residual value has been determined from the general assessment save for land, buildings and software.

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Valuation of unlisted equity investments

Applicable from 1 January 2018

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as discounts rates, cash flows, comparable prices, liquidity risk, credit risk and volatility.

Applicable before 1 January 2018

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 unlisted equities investments at cost.

Incurred but Not Reported (IBNR) reserve

The Group establishes IBNR reserve, to recognize the estimated cost of losses for events which have already occurred but which have not yet been reported. These reserves are established to recognize the estimated costs required to bring such claims to final settlement

i. IBNR on Short term 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 using the Born-Huetter Ferguson ("BHF") method.

i. IBNR on Life Assurance

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 on year-end on assumption that all claims should have been notified within 10 months from 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.

Life Fund

The life fund reserve is actuarially determined by a qualified independent actuary on a yearly basis. The reserve is determined by reviewing the products on offer, risk associated with each product. Assumptions and methods of determining the results are also reviewed.

1.4 FOREIGN CURRENCIES

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. Non-monetary assets denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction while those at Fair value are translated using the exchange rate at the date when the exchange rate was determined. All exchange gains/losses arising on the translation or settlement of foreign denominated monetary items are recognised in profit or loss.

1.5 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 measured at fair value. Fair value gains or losses are recorded through profit or loss under non-interest income.

In coming up with the fair value the valuer takes into account:

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

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.

1.6 PROPERTY AND EQUIPMENT

Recognition criteria

Property and equipment are measured 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. The frequency of valuations depends on the changes in the fair values these assets. Any revaluation surplus is credited to the asset 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.

Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The 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 profit or loss 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.

1.7 FINANCIAL ASSETS

Applicable from 1 January 2018

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, loans and advances and debt and equity investments.

Financial assets in the scope of IFRS 9 (Financial instruments) are classified, at initial recognition, and subsequently measured at:

- Amortised Cost,
- Fair Value Through Other Comprehensive Income (FVTOCI), or
- Fair Value Through Profit or Loss (FVTPL),

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, any directly attributable transaction costs. Transaction costs on all financial assets that are carried at fair value through profit or loss, they are accounted for as an expense. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

For purposes of subsequent measurement, the Group's financial assets are classified in the following three categories:

i. Financial assets at amortised cost

The Group's financial assets are classified as subsequently measured at amortised cost under IFRS 9 if they meet both of the following criteria:

- Hold to collect business model test – The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows. The hold to collect business model does not require that financial assets are always held until their maturity. The Group's business model can still be to hold financial assets to collect contractual cash flows, even when sales of financial assets occur. Examples of these sales that would not contradict holding financial assets to collect contractual cash flows include selling the financial asset close to its maturity and selling the financial asset to realise cash to deal with an unforeseen need for liquidity.
- Solely payments of principal and interest (SPPI) contractual cash flow characteristics test – The contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on a specified date. (I.e. the contractual

1.7 FINANCIAL ASSETS (continued)**i. Financial assets at amortised cost (continued)**

- cash flows are consistent with a basic lending arrangement). Principal (e.g. a bond that is purchased or originated at a premium or discount).

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in the Group's interest income using the effective interest rate method. The Group's financial assets at amortised cost mainly include loans and advances to customers, financial securities, money market assets and trade receivables.

ii. Financial assets at fair value through comprehensive income

The Group measures its debt instruments at fair value through OCI if both of the following conditions are met:

- financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments measured at fair value through OCI, interest income and foreign exchange revaluation are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. However, the loss allowance is recognised in other comprehensive income and do not reduce the carrying amount of the financial asset in the Statement of Financial position. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments not held for trading as equity instruments designated at fair value through OCI. This election is made on an instrument by instrument basis. The Group's equity investments measured under this category are unquoted equities. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

iii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured

at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition (Applicable to IFRS 9 and IAS 39)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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.

Applicable before 1 January 2018**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, loans and advances and debt and equity investments.

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. Transaction costs on all financial assets that are carried at fair value through profit or loss, they are accounted for as an expense. 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 (including derivatives) should be measured at fair value, with the following exceptions: Loans and receivables, held-to-maturity investments, and non-derivative financial assets 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) are 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 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. 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. (These include certain listed equity 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 two 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 initially and subsequently measured at cost. The Group assesses its Subsidiaries for impairment at each reporting date.

Balances with banks and cash

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

Offsetting arrangements

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

1.8 FINANCIAL LIABILITIES

Applicable from 1 January 2018

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and deposits.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

1.8 FINANCIAL LIABILITIES (continued)**Financial liabilities at amortised cost**

After initial recognition, interest-bearing loans, other borrowings and deposits are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

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.

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.

Applicable before 1 January 2018**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. The Group recognises two classes of financial liabilities: Financial liabilities at fair value through profit or loss other financial liabilities measured at amortised cost using the effective interest method.

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.

Derecognition

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.

1.9 IMPAIRMENT**Applicable from 1 January 2018****Financial assets**

The Group assesses at each reporting date on a forward looking basis, the expected credit losses (ECL) associated with a financial asset or a group of financial assets. The Group carries out a significant increase in credit risk assessment at each reporting date in order to determine whether the credit risk of its financial assets has increased significantly since initial recognition. This assessment determines which grading/classification stage the instrument is in and the amount of ECL to recognise. Whether credit risk has significantly increased or not is determined based on the changes in default risk. Evidence of changes in default risk may include indications that the debtors or a group of debtors is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data 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 financial asset in the Statement of Financial Position shall be reduced with the loss allowance for expected credit losses (ECL). The Group recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk of the financial asset since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as a loss allowance. The amount of the credit loss expense is measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The Group recognises credit loss even if it expects to be paid in full but later than when contractually due.

The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised.

The Group carries out significant increase in credit risk assessment at each reporting date in order to determine whether the credit risk of its financial assets has increased significantly individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant since initial recognition. If it is determined that there is no significant increase in the credit risk since initial recognition, the Group recognizes 12-month expected credit losses. If it is determined that there is significant increase in the credit risk since initial recognition, the Group recognizes life time credit loss allowance.

If in a subsequent period, the amount of the Expected Credit Loss (ECL) decreases and the decrease can be to credit risk the previously recognised loss allowance is reversed. Any subsequent reversal of the loss allowance 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.

Financial Assets carried at Fair Value through other comprehensive income (FVOCI)

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

The Group's equity investments measured at Fair Value through other comprehensive income are unlisted equity investments. No impairment loss is recognised on equity instruments as they are measured at fair value with gains and losses recognised through OCI and the fair value reserve.

Financial Assets carried at Fair Value through profit or loss (FVPL)

No impairment is recognised for financial assets measured at Fair value through profit or loss. Changes in fair value are recognised through profit and loss in as much as they affect the carrying amount of these assets. The Group has listed equity investments and these are measured at FVPL.

Applicable before 1 January 2018

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data 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 not been recognised.

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.

Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost of disposal and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. Impairment of continuing operations is recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

Insurance assets

Insurance assets are impaired after two consecutive months of non-payment. The whole balance of unpaid premium is transferred to suspended income as the premiums previously recognised in the profit and loss are reversed. The policy is terminated or lapsed if in the third month there is no payment by policyholder. It is at this point removed from premium receivables. Other specific policies with special arrangement are provided for after three months of non-payment.

1.10 REVENUE RECOGNITION

Applicable from 1 January 2018

The Group's major revenue items emanate from IFRS 9 (Financial instruments), IFRS 15 (Revenue from contract with customers) and IFRS 4 insurance Contracts is recognised as follows:

a) Revenue within the scope of IFRS 15

The Group recognises revenue from contracts with customers under the scope of IFRS 15 as it transfers promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods or services excluding amounts collected on behalf of third parties. The Group applies the five step approach to revenue recognition under IFRS 15. The Group recognises revenue when a performance obligation is satisfied by transferring a promised good or service to the customer (which is when the customer obtains control of that good or service).

1.10 REVENUE RECOGNITION (continued)**a) Revenue within the scope of IFRS 15 (continued)**

satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time (typically for promises to transfer services to a customer) or at a point in time (typically for promises to transfer goods to a customer). Control includes the ability to prevent others from directing the use of and obtaining the benefits from the asset. The Group satisfies a performance obligation at a point in time unless it meets one of the following criteria, in which case, it is deemed to be satisfied over time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the Group does not satisfy its performance obligation over time, it satisfies it at a point in time and revenue will be recognised when control is passed at that point in time. Factors that indicate the passing of control include the present right to payment for the asset or the customer has legal title to the asset or the Group has transferred physical possession of the asset.

When the revenue is recognised over time, the Group recognises the revenue in line with the pattern of transfer. The Group selects an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Whether the Group recognises revenue over the period during which it produce a product/services, or on delivery to the customer will depend on the specific terms of the contract.

The Group's major revenue items recognised under the scope of IFRS 15 are as follows:

i. Services rendered

The Group recognises revenue for services rendered at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for the services excluding amounts collected on behalf of third parties to customers based on the estimated outcome of the transactions. The 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.

ii. Commission and fee income

The Group recognises revenue from commission and fee income including account maintenance fees, ledger fees, advisory income, ATM/ cash withdrawal fees and Point of sale income as the related services

are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

iii. Property sales

Revenue arising from the sale of land inventory is recognised an amount that reflects the consideration to which the Group expects to be entitled to in exchange of the land inventory excluding amounts collected on behalf of third. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due control has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months.

b) Revenue within the scope of IFRS 9

The Group's revenue items recognised under the scope of IFRS 9 are as follows:

i. Trading income

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

ii. Interest Income

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

iii. Commission and fee income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

iv. Dividends

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment. From 1 January 2018, dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in profit or loss.

b) Revenue within the scope of IFRS 4

The Group's revenue items recognised under the scope of IFRS 4 are as follows:

i. Premiums

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

ii. Commission receivable

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

Applicable before 1 January 2018

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 and other Comprehensive Income 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.

Services rendered

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

Dividends

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

Property sales

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 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.

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.

1.11 BASIS OF ACCOUNTING FOR UNDERWRITING ACTIVITIES

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 reporting date position 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 profit or loss 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 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 and 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, deferred acquisition costs and insurance premium receivables.

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 contract.

Deferred Acquisition costs

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

Lapses

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 profit or loss 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.

1.12 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 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.

1.13 TAXATION

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 reporting date.

Capital gains tax

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

Deferred taxation

Deferred income tax is provided using the full liability method on temporary differences at 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 reporting date.

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.

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

Applicable from 1 January 2018

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of;

- the loss allowance determined in accordance with IFRS 9 and
- the amount initially recognised less, when appropriate, the cumulative amount of income

1.17 FINANCIAL GUARANTEES (continued)

Applicable from 1 January 2018 (continued)

- recognised in accordance with the principles of IFRS 15

Liabilities arising from financial guarantees and loan commitments are included within provisions.

Applicable before 1 January 2018

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 on a straight line basis.

Group as Lessor

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

term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1.21 SHARE CAPITAL

Ordinary share capital

Ordinary shares are classified as equity.

Repurchase of share capital (treasury shares)

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

1.22 REVALUATION RESERVE

The revaluation reserve represents all revaluation adjustments made to property and equipment.

1.23 REVENUE RESERVE

This reserve represents cumulative profits that have not been paid out as dividends.

1.24 SHARE PREMIUM

This represents capital raised through an issue of shares that exceeds the nominal value of the shares. This capital is not available for distribution to shareholders as dividends.

1.25 FAIR VALUE RESERVE

Fair value reserve represents changes in the fair value of unquoted equities that are irrevocably elected to be initially measured at value at fair value through other comprehensive income.

1.26 SHARE OPTION RESERVE

Share option reserve represents movements arising from the exercise of Employee share options.

1.27 RELATED PARTIES

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

1.28 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 Bank establishes fair value by using valuation techniques. These techniques include the use of arm's length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

1.29 LAND INVENTORY

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

1.30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a

liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group expects its Statement of financial position to increase by \$5.05 million following the recognition the Right of Use asset.

IFRS 17 Insurance Contracts.

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
 - A simplified approach (the premium allocation approach) mainly for short-duration contracts
- IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Impact assessment is ongoing.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

1.30 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment (continued)

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INCORPORATION AND ACTIVITIES

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

2. INTEREST

Interest income

Bankers acceptances	297 755	356 587
Overdrafts	22 340 071	52 607 898
Loans	24 693 496	36 131 509
Mortgage interest	9 915 962	10 629 426
Staff loans	3 279 940	3 489 978
Securities investments	66 376 437	48 639 996
Other investments	1 150 439	1 093 844
	128 054 100	152 949 238

Interest expense

Call deposits	665 784	738 601
Savings deposits	20 390 929	32 124 010
Money market deposits	21 052 763	36 368 567
Other offshore deposits	3 860 936	8 158 887
	45 970 412	77 390 065

NET INTEREST INCOME

82 083 688 **75 559 173**

3. NET NON-INTEREST INCOME

Net income from trading securities	(16 812)	34 751
Fair value adjustments on financial instruments	1 264 296	2 201 647
Fair value adjustments on investment properties	1 205 527	1 894 488
Net income from foreign currency dealings	3 929 623	4 528 336
Unrealised loss on foreign currency position	(666 874)	(1 019 410)
Commission and fee income	74 829 393	72 282 687
Profit/(loss) on sale of assets	(34 109)	(383 526)
Bad debts recovered	4 322 572	650 376
Property sales	11 498 499	5 684 939
Rental income	2 579 997	2 713 681
Other income	9 217 696	2 810 417
	108 129 808	91 398 386

4. NET UNDERWRITING INCOME

Gross premium insurance	23 884 832	19 123 925
Reinsurance	(6 745 399)	(5 330 359)
Net written premium	17 139 433	13 793 566
Unearned premium	(656 273)	387 144
Net earned premium	16 483 160	14 180 710
Net commission (a)	(815 196)	(536 064)
Net claims (b)	(6 430 429)	(5 568 360)
	9 237 535	8 076 286
(a) Net commission		
Commission received	1 752 539	1 302 617
Commissions paid	(2 578 973)	(1 712 828)
Deferred acquisition costs	11 238	(125 853)
Net commission	(815 196)	(536 064)

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
(b) Net claims		
Gross claims incurred	8 253 511	9 241 746
Reinsurance claims	(3 335 081)	(3 786 827)
Incurred but not yet reported claims	137 174	113 441
Gross outstanding claims	2 371 046	-
Reinsurance share of outstanding claims	(996 221)	-
	6 430 429	5 568 360
5. OPERATING EXPENDITURE		
Staff costs	52 328 423	53 536 903
Administration expenses	43 664 261	44 070 024
Audit fees	681 455	584 369
Depreciation	8 653 217	7 885 794
Amortisation of intangible assets	1 277 832	1 182 686
Property cost of sales	9 395 260	3 717 487
Write offs of other assets	2 502 458	765 403
Write offs and impairment of fixed assets	554 439	165 373
	119 057 345	111 905 039
Remuneration of directors / key management personnel (included in staff costs)		
Fees for services as directors	509 549	632 573
Pension and retirement benefits for past and present directors	714 329	3 324 525
Salaries and other benefits	7 067 064	7 334 212
	8 290 942	11 291 310
Operating leases		
The following is an analysis of expenses related to operating leases: Non cancellable lease rentals are payable as follows:		
Less than 1 year	1 927 712	1 700 070
Between 1 and 5 years	533 524	779 664
More than 5 years	-	-
	2 461 236	2 479 734

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

6. TAXATION

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

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Analysis of tax charge in respect of the profit for the year		
Current income tax charge	8 113 731	6 573 943
Deferred income tax	2 804 774	(7 295 726)
Income tax expense	10 918 505	(721 783)
6.2 Tax rate reconciliation	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Non deductible expenses	20.08	56.50
Exempt income	(32.38)	(84.59)
Tax credit	(0.31)	(0.41)
Effective tax rate	13.14	(2.66)
6.3		
The following constitutes the major components of deferred income tax expense recognised in the Statement of Other Comprehensive Income.		
Revaluation of property and equipment	737 001	366 225
Unlisted equities	(40 132)	-
	696 869	366 225

7. EARNINGS PER SHARE

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

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

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

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
7.1 Annualised earnings per share (US cents)		
Basic	13.93	5.36
Fully diluted	13.64	5.21
7.2 Earnings		
Basic earnings (earnings attributable to holders of parent)	72 162 766	27 782 891
Fully diluted	72 162 766	27 782 891
Number of shares used in calculations (weighted)	Shares	Shares
Basic earnings per share (weighted)	517 953 389	517 863 996
Fully diluted earnings per share (weighted)	528 934 178	533 248 567
7.3 Reconciliation of denominators used for calculating basic and diluted earnings per share:		
Weighted average number of shares before adjustment for treasury shares	686 935 236	686 845 843
Less: Treasury shares held	(168 981 847)	(168 981 847)
Weighted average number of shares used for basic EPS	517 953 389	517 863 996
Potentially dilutive shares (Employee Share Options)	10 980 789	15 384 571
Weighted average number of shares used for diluted EPS	528 934 178	533 248 567
8. DIVIDENDS		
Cash dividends on ordinary shares declared and paid:		
Interim paid	2 621 049	1 344 284
Final dividend paid	1 345 016	1 205 682
	3 966 065	2 549 966
Interim dividend paid per share (cents)	0.50	0.20
Final dividend paid per share (cents)	0.26	0.18
Dividends are paid on shares held at the record date net of treasury shares held on the same date.		
Proposed dividends on ordinary shares:		
Final dividend	6 430 606	1 762 371
Final dividend per share (cents)	1.24	0.26
Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2018.		
9. BALANCES WITH BANKS AND CASH		
Cash	31 852 201	11 819 743
Nostro accounts	38 067 650	4 000 099
Balances with the Reserve Bank of Zimbabwe	306 418 420	73 782 874
Interbank clearing accounts	-	3 960
	376 338 271	89 606 676

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

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

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

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

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

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

12.3	Loans to directors, key management and employees	AUDITED 31 DEC 2018 US\$		AUDITED 31 DEC 2017 US\$	
	Loans to directors and key management				
	Included in advances are loans to Executive Directors and key management:-				
	Opening balance	8 256 593		8 178 093	
	Advances made during the year	574 778		702 314	
	Repayments during the year	(397 480)		(623 814)	
	Closing balance	8 433 891		8 256 593	
	Loans to employees				
	Included in advances are loans to employees:				
	Opening balance	46 295 106		49 277 396	
	Advances made during the year	2 173 432		2 174 409	
	Repayments during the year	(5 649 888)		(5 156 699)	
	Closing balance	42 818 650		46 295 106	

12.4	Allowance for Expected Credit Loss (ECL)	AUDITED 31 DEC 2018 US\$		AUDITED 31 DEC 2017 US\$	
	Opening balance	78 624 951		60 802 293	
	Impact of IFRS 9 (Note 14.2)	93 621 543		-	
	Adjusted opening balance	172 246 494		60 802 293	
	Credit loss expense on loans and advances	(2 313 209)		35 852 917	
	Interest in suspense	6 500 172		11 676 411	
	Amounts written off during the year	(64 729 684)		(29 706 670)	
	Closing balance	111 703 773		78 624 951	

12.5	Collateral	AUDITED 31 DEC 2018 US\$		AUDITED 31 DEC 2017 US\$	
	Cash cover	7 404 584		15 290 945	
	Mortgage bonds	576 929 361		935 716 037	
	Notarial general covering bonds	185 471 716		760 471 807	
		769 805 661		1 711 478 789	

13.	INSURANCE ASSETS	AUDITED 31 DEC 2018 US\$		AUDITED 31 DEC 2017 US\$	
	Reinsurance unearned premium reserve	2 028 581		1 350 740	
	Reinsurance receivables	2 048 475		1 090 930	
	Deferred acquisition cost	772 964		586 788	
	Insurance premium receivables	5 007 992		2 690 478	
	Suspended premium	(42 967)		(57 944)	
	Impairment provision	(1 021 869)		(848 162)	
		8 793 176		4 812 830	

		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
13.1 Reinsurance unearned premium reserve			
Unearned premiums at the beginning of the year		1 350 740	1 300 868
Written premiums		6 655 917	5 261 049
Premiums earned during the year		(5 978 075)	(5 211 177)
		2 028 582	1 350 740
13.2 Impairment on insurance assets			
Opening balance		848 162	689 408
Charge for impairment on insurance receivables		226 264	158 754
Closing balance		1 074 426	848 162

14. IMPAIRMENT ON FINANCIAL INSTRUMENTS**14.1 Expected credit loss expense (ECL)**

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

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

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

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

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

		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
16.1	Investments in equities		
	Unlisted investments	15 622 634	6 010 058
	Listed investments	10 377 762	4 677 482
		26 000 396	10 687 540
	Equity investments designated at fair value through profit or loss	10 377 762	4 677 482
	Equity investments designated at fair value through other comprehensive income	15 622 634	-
		26 000 396	4 677 482

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

17. CATEGORIES OF FINANCIAL ASSETS

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

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

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

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

Key

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

18. FAIR VALUE MEASUREMENT

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

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

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

The fair values of the non-listed equities which have been classified as level 3 investments.

Fair values were derived using a combination of income and market approaches depending on the appropriateness of the methodologies to the type of equity instruments held. The valuation took into account certain assumptions about the model inputs, including but not limited to liquidity discounts, country factor, inflation, credit risk and volatility. A range of probabilities were also applied to these inputs and the fair values derived therefrom were deemed to be within acceptable fair values ranges of the equities

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

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

19. PROPERTY AND EQUIPMENT

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

19. PROPERTY AND EQUIPMENT (continued)

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

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

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

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

The maximum useful lives are as follows:

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

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

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

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

20. INVESTMENT PROPERTIES

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

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

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

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

21. INTANGIBLE ASSETS**Computer software**

At cost	7 156 169	7 134 304
Accumulated amortisation	(5 542 471)	(4 604 224)
	1 613 698	2 530 080

Movement in intangible assets:

Opening balance	2 530 080	2 697 421
Additions	57 339	316 047
Write-offs	-	(14 078)
Transfer from property and equipment	304 111	713 376
Amortisation charge	(1 277 832)	(1 182 686)
Closing balance	1 613 698	2 530 080

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

22. DEFERRED TAXATION**22.1 Deferred tax asset**

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

22.1a) The deferred tax included in the statement of profit or loss and other comprehensive income are comprised of;

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Opening balance	19 732 818	12 566 810
Impact of adopting IFRS 9	19 735 196	-
Restated balance as at 01 January 2018	39 468 014	12 566 810
Assessed losses	36 196	(3 035)
Impairments and provisions	(16 390 090)	4 128 662
Intangible assets	51 164	38 828
Prepayments	342 828	421 799
Equity investments	10 915	20 071
Property and equipment	(261 399)	(112 831)
Tax claimable impairments	12 958 445	2 571 015
Investment properties	417 303	(275 262)
Other	(339 897)	376 762
Closing balance	36 293 479	19 732 818

22.1b) The deferred tax asset balances included in the statement of financial position are comprised of:

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

22.2 Deferred tax liability

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

22.2a) The deferred tax included in the statement of profit or loss and Other comprehensive income comprised of

Opening balance	2 595 916	2 359 408
Impact of IFRS 9	1 338 078	-
Intangible assets	280	(122)
Equity investments	(12 870)	10 110
Property and equipment	6 857	1 896
Investment properties	324 656	224 624
Closing deferred tax balance	4 252 915	2 595 916

22.2b) The deferred tax liability balances included in the statement of financial position are comprised of:

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

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

23. DEPOSITS

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

23.1 Deposits by type

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

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

23.2 Sectoral Analysis

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

23.3 Maturity analysis

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

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

24. INSURANCE LIABILITIES

Reinsurance payables (a)	1 324 675	747 363
Gross outstanding claims (b)	2 870 359	1 211 259
Gross unearned premium reserve (c)	4 317 264	3 142 147
Deferred reinsurance acquisition revenue (d)	528 021	353 083
	9 040 319	5 453 852

24.1 Insurance contract provisions**(a) Reinsurance payables**

Reinsurance payables at beginning of year	747 363	763 507
Premiums ceded during the year	6 404 567	4 853 094
Reinsurance paid	(5 827 255)	(4 869 238)
Reinsurance payables at end of the year	1 324 675	747 363

(b) Gross outstanding claims provision

Outstanding claims at the beginning of year	1 211 259	2 359 305
Claims incurred	7 485 025	5 584 039
Incurred but not reported claims provision (IBNR)	198 429	118 237
Claims paid	(6 024 354)	(6 850 322)
Outstanding claims at end of the year	2 870 359	1 211 259

(c) Gross premium reserve

Unearned premiums at the beginning of year	3 142 147	3 035 840
Written premiums	13 154 133	10 435 728
Premiums earned during the year	(11 979 016)	(10 329 421)
Unearned premiums at end of the year	4 317 264	3 142 147

(d) Deferred reinsurance acquisition revenue

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

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

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

26. LIFE FUNDS**26.1 Movement in Life Fund**

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

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
26.2 Life funds liabilities as supported by the following net assets		
Money market assets	509 420	874 418
Prescribed assets	301 200	153 541
Investment property	447 624	397 383
Listed equity investment	335 361	40 586
	1 593 605	1 465 928

		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US
27.	LIFE ASSURANCE INVESTMENT CONTRACT LIABILITIES		
27.1	Life assurance investment contract liabilities movement		
	Opening balance	1 806 934	1 517 121
	Interest on GEP fund	76 910	76 067
	Fund Management expenses	(41 212)	(23 501)
	GEP Investment	1 064 404	906 391
	GEP Withdrawals	(513 612)	(669 146)
	Closing balance	2 393 424	1 806 932
27.2	Life assurance investment contract liabilities are supported by the following net assets		
	Money market assets	1 321 034	1 433 039
	Cash	139 937	249 203
	Prescribed assets	708 394	124 690
	Listed equity investment	224 059	-
		2 393 424	1 806 932
28.	CATEGORIES OF FINANCIAL LIABILITIES		
	The Group's financial liabilities are carried at amortised cost.		
		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US
29.	EQUITY AND RESERVES		
29.1	Share capital		
	Authorised		
	1 000 000 000 ordinary shares of US\$ 0.01 each	10 000 000	10 000 000
	Issued and fully paid		
	Reconciliation of number of shares	Shares	Shares
	Opening balance	686 879 495	686 828 740
	Employee share options	83 072	50 755
	Closing balance	686 962 567	686 879 495
		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
	Opening balance	6 868 795	6 868 288
	Exercise of share options	830	507
	Closing balance	6 869 625	6 868 795
29.2	Share premium		
	Opening balance	40 013 748	40 008 086
	Exercise of Share option reserve	9 266	5 662
	Closing balance	40 023 014	40 013 748
29.3	Treasury shares		
	Opening balance	17 588 582	17 588 582
	Closing balance	17 588 582	17 588 582
29.4	Revaluation reserve		
	Opening balance	28 927 524	27 089 982
	Net revaluation gain	3 211 790	1 837 542
	Closing balance	32 139 314	28 927 524

29.5 Employee share option reserve

Opening balance

Share options to employees

Closing balance

AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
1 135 049	1 101 026
28 757	34 023
1 163 806	1 135 049

During the year 83 072 shares were exercised after vesting and US\$7 317 was realised from the exercise.

Shares under option

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

	Subscription price	Number of Shares
Granted 1 June 2012	US\$0.0881	40 000 000
	AUDITED 31 DEC 2018 Shares	AUDITED 31 DEC 2017 Shares
Movement for the year		
Opening balance	37 280 869	37 331 624
Options exercised	(83 072)	(50 755)
Closing balance	37 197 797	37 280 869

No share options were forfeited or expired during the year.

The valuation of the share option scheme was carried out by professional valuers. The estimated fair value of the options granted was determined using the Black Scholes-Merton option pricing model with applicable adjustments to accommodate contract specific features and in accordance with IFRS 2 "Share Based Payments". The following are some of the inputs considered in the determination of the option values:

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

Valuation inputs:**Exercise price**

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

Expected volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a year, for example between grant date and the exercise date. Volatility was estimated using the standard historical volatility estimation procedure, adjusted for actual trading days per year on the Zimbabwe Stock Exchange.

Expected dividends

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

Risk free rate of return

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

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

29.8. Reconciliation of the deferred tax impact ECL transitional balances in Revenue reserve and Fair Value reserve

	Revenue Reserve	Fair Value Reserve	Total
Gross Impact On Transitional Adjustment	(93 974 865)	10 389 831	(83 585 034)
Transition Deferred Tax Asset (Note 22.1)	20 483 155	(747 959)	19 735 196
Transition Deferred Tax Liability (Note 22.2)	-	(1 338 078)	(1 338 078)
Net Impact On Transitional Adjustment	(73 491 710)	8 303 794	(65 187 916)

Reconciliation of the Gross amounts reported

	Revenue Reserve	Fair Value reserve	Total
Gross amounts as per transition (note 17.2)	(93 791 929)	10 389 831	(83 402 098)
Gross amounts per Note 29.6 .1 & 29.7.1	(93 974 865)	10 389 831	(83 585 034)
Financial guarantees (Off balance sheet) not included in note 17.2	182 936	-	182 936

		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
29.9	Non-controlling interests		
	Reconciliation of Non-controlling Interests:		
	Opening balance	116 287	542 907
	Total comprehensive income	8 856	56 027
	Dividend paid	(3 201)	(19 442)
	Change in degree of ownership	-	(463 205)
	Closing balance	121 942	116 287

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

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

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

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

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

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Cash consideration paid	-	568 957
Carrying amount of additional interest	-	(463 205)
Gains recognised in equity	-	105 752

30. CAPITAL MANAGEMENT

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

31. CONTINGENCIES AND COMMITMENT**31.1 Compliance matter**

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

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

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

32. FUNDS UNDER MANAGEMENT

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

33. OPERATING SEGMENTS

The Group is comprised of the following operating segments:

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

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

33.1 Segment operational results

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

34. RELATED PARTIES

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

Loans and advances to Directors' companies

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

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

Transactions with Directors' companies

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

35. CLOSING EXCHANGE RATES

ZAR	14.4194	12.3946
GBP	1.2687	1.3495
EUR	1.1430	1.1956

36. RISK MANAGEMENT**36.1 Risk overview**

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

36.2 Group risk management framework

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

The CBZ Group Enterprise Wide Governance and Compliance Unit evaluates quality of compliance with policies, processes and governance structures.

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

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

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

Human Resources & Remunerations 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.

36.3 Credit risk

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

Credit risk management framework

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

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

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

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

Credit mitigation

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

36.3. (a) Credit risk exposure

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

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

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

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

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

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

Collateral held

Mortgage bonds
Cash cover
Other forms of security including
Notarial General Covering Bonds (NGCBs) cessions, etc.

AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
576 929 361	935 716 037
7 404 584	15 290 945
185 471 716	760 471 807
769 805 661	1 711 478 789

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

36.3 (c) Impairment allowance on financial assets**a. Loans and advances to customers**

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

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

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

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

i. The table below shows the ECL Reconciliation from 1 January 2018 to 31 December 2018

	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
ECL allowance as at 1 January 2018 under IFRS 9	41 684 590	1 899 247	128 662 657	172 246 494
New assets originated or purchased	19 594 788	8 626 092	587 921	28 808 801
Transfers to Stage 1	(28 129 560)	24 309 572	3 819 988	-
Transfers to Stage 2	3 626 123	(68 096 852)	64 470 729	-
Transfers to Stage 3	2 009 117	81 095 251	(83 104 368)	-
Amounts written off	-	-	(33 752 896)	(33 752 896)
Repayments and Taken Over By ZAMCO	(21 665 386)	(17 295 987)	(16 637 253)	(55 598 626)
At 31 December 2018	17 119 672	30 537 323	64 046 778	111 703 773

b. Financial Securities

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

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

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

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

c. Money market

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

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

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

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

d. Financial guarantees

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

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

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

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

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

The Financial Assets that were impaired under IFRS 9 were Loans, Overdrafts, Leases, Bank Guarantees, and Letters of Credit, Credit Cards Facilities, Money Market Placements and Treasury Bills. Expected Credit Losses of these assets were calculated as at 31 December 2018.

Expected Credit Losses is determined through a combination of expected credit exposures (Exposure-at-Default), likelihood of default occurring (Probability of Default) and anticipated Loss in the event of Default (Loss-Given-Default).

Forward looking information

In its ECL model, the Group relies on a broad range of forward looking information as economic inputs. Forward looking information forecasts are also adjusted looking at the trending in Macro-economic values. A behavioural scorecard was used to measure deterioration in credit quality, which scorecard incorporates days past due plus other forward looking macroeconomic factors such as Unemployment rates and inflation. The inflation score where Worst Case Forecast Inflation rate for Zimbabwe is 9.5%.

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

The Probability of Default (PD)

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

The Exposure at Default (EAD)

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

The Loss Given Default (LGD)

This is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum year for which the credit losses are determined is the contractual life of a financial instrument, unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Significant increase in credit risk and Stage Recognition

The CBZ Group has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. Credit risk has increased significantly when contractual payments are more than 30 days past due.

Key consideration for a significant change in credit risk under a financial asset include the following:

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

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

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

Stage 1: (Performing)

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

Stage 2: (Underperforming)

The assets have early arrears but not specifically impaired loans. It covers all loans where the counterparties have failed to make contractual payments and are less than 90 days past due, but are expected that the full carrying values will be recovered when considering future cash flows including collateral. When a loan has shown a significant increase in credit risk since origination, the Group records an allowance

for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: (Credit Impaired)

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

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

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

Purchased or originated credit impaired (POCI)

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

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

Debt instruments measured at fair value through OCI

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

Cure, Modification and Forbearance of Financial Assets

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

Curing

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

- Completion of a "cure year" of six months by non-performing forborne exposures and that the

debtor's behaviour demonstrates that financial difficulties no longer exist.

- The borrower should have settled, by means of regular payments, an amount equivalent to all the amounts past due on the date the forbearance measures were granted (if there were past-due amounts at this date), or to the amount written-off as part of these forbearance measures (if there was no past-due amount at the date of the forbearance measures).
- It has been established that the obligor has been able to meet the requirements of the revised terms and conditions.
- The borrower should have settled 6 full consecutive monthly payments under the revised terms.

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

Account Cure	Impairment triggers
Move from stage 3 to stage 2 (decrease in credit risk)	<ul style="list-style-type: none"> Modifications
Move from stage 3 to stage 1 (decrease in credit risk)	<ul style="list-style-type: none"> Restructured loans
Move from stage 2 to stage 1 (reduction in credit risk signified by migration from low credit risk or no significant increase in credit risk)	<ul style="list-style-type: none"> Arrears re-spread Arrears deferred Loan term extended Arrears deferred and re-spread

Modification and Forbearance

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

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

If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Beginning 1 January 2018, any loan that has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether

the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum six months' probation year. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

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

Derecognition

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. The Group de-recognizes a financial asset when, and only when:

- a) the contractual rights to the cash flows from the financial asset expire, or
- b) It transfers the financial asset and the transfer qualifies for de-recognition.

Write-offs

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

36.3.2 Market risk

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

36.3.3 Group market risks management framework

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

36.4 Liquidity risk

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

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

Funding risk on the other hand is the risk that the Group will

not be able to efficiently meet both its expected as well as the unexpected current and future cash flow needs without affecting the financial condition of the Group.

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

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

36.4.1 Contractual Gap analysis**CONTRACTUAL LIQUIDITY PROFILE AS AT 31 DECEMBER 2018**

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

CONTRACTUAL LIQUIDITY PROFILE AS AT 31 DECEMBER 2017

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

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

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

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

**CBZ Bank
Limited**

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

36.5 Interest rate risk

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

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

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

36.5.1 Interest rate repricing

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

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

36.6 Exchange rate risk

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

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

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

Foreign currency position as at 31 December 2018

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

Foreign currency position as at 31 December 2017

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

Foreign currency position as at 31 December 2018
Underlying currency

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

Foreign currency position as at 31 December 2017

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

36.7 Operational risk

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

36.7.1 Operational risk management framework

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

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

36.8 Strategic risk

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

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

36.9 Regulatory risk

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

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

36.10 Reputation risk

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

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

36.11 Money-laundering risk

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

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

36.12 Insurance risk

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

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

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

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

36.13 Risk and Credit Ratings**36.13.1 External Credit Rating****CBZ Bank Limited**

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

CBZ Life Private Limited

Rating agent	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Global Credit Rating (Financial strength)	A-	BBB+	BBB+	BBB+	-	-	-	-	-	-	-	-

CBZ Insurance Private Limited

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

CBZ Asset Management Private Limited

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

36.13.2 Reserve Bank Ratings

CAMELS RATING MATRIX - 31 DECEMBER 2017 RBZ ONSITE EXAMINATION							
	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank (current)	2	1	3	2	2	2	2
CBZ Bank (previous)	1	1	2	1	1	2	2

Key

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

37. Capital Adequacy

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

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

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

38. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
	Total RTGS \$ Assets/ Liabilities Balances	Total US\$ Monetary Assets/ Liabilities Nostro FCA USD	Total US\$ Non-monetary Assets/ Liabilities Nostro FCA USD	Total Translated at a rate of US\$1:RTGS\$1	Total RTGS \$ Translated at a rate of US\$1:RTGS\$2.5	Total RTGS \$ Translated at a rate of US\$1:RTGS\$4	Total RTGS \$ Translated at a rate of US\$1:RTGS\$5
ASSETS							
Balances with banks and cash	328 841 526	47 496 745	—	376 338 271	447 583 388	518 828 506	566 325 251
Money market assets	70 741 297	—	—	70 741 297	70 741 297	70 741 297	70 741 297
Financial securities	1 244 941 623	—	—	1 244 941 623	1 244 941 623	1 244 941 623	1 244 941 623
Loans and advances to customers	480 820 875	6 175 220	—	486 996 095	496 258 925	505 521 755	511 696 975
Insurance assets	8 793 176	—	—	—	8 793 176	8 793 176	8 793 176
Equity investments	19 305 801	—	6 694 595	26 000 396	36 042 288	46 084 181	52 778 776
Other assets	28 503 510	1 145	53 231 574	81 736 229	161 585 307	241 434 386	294 667 105
Current tax receivable	1 490 449	—	—	1 490 449	1 490 449	1 490 449	1 490 449
Intangible assets	1 613 698	—	—	1 613 698	1 613 698	1 613 698	1 613 698
Investment properties	9 468 424	—	28 090 154	37 558 578	79 693 809	121 829 040	149 919 194
Property and equipment	18 029 797	—	59 399 672	77 429 469	166 528 977	255 628 485	315 028 157
Deferred taxation	36 293 479	—	—	36 293 479	36 293 479	36 293 479	36 293 479
TOTAL ASSETS	2 248 843 655	53 673 110	147 415 995	2 449 932 760	2 751 566 416	3 053 200 075	3 254 289 180
LIABILITIES							
Deposits	1 699 486 541	72 911 063	—	1 772 397 604	1 881 764 199	1 991 130 793	2 064 041 856
Other Deposits**	—	306 757 791	—	306 757 791	306 757 791	306 757 791	306 757 791
Insurance liabilities	9 022 457	17 862	—	9 040 319	9 067 112	9 093 905	9 111 767
Other liabilities	37 309 074	83 535	197 304	37 589 913	38 011 172	38 432 430	38 713 269
Current tax payable	106 655	—	—	106 655	106 655	106 655	106 655
Life Fund	1 593 605	—	—	1 593 605	1 593 605	1 593 605	1 593 605
Investment contract liabilities	2 393 424	—	—	2 393 424	2 393 424	2 393 424	2 393 424
Deferred taxation	4 252 915	—	—	4 252 915	4 252 915	4 252 915	4 252 915
	1 754 164 671	379 770 251	197 304	2 134 132 226	2 243 946 873	2 353 761 518	2 426 971 282
EQUITY							
Share capital	6 869 625	—	—	6 869 625	6 869 625	6 869 625	6 869 625
Share premium	40 023 014	—	—	40 023 014	40 023 014	40 023 014	40 023 014
Revaluation reserve	32 139 314	—	—	32 139 314	32 139 314	32 139 314	32 139 314
Treasury shares	(17 588 582)	—	—	(17 588 582)	(17 588 582)	(17 588 582)	(17 588 582)
Share option reserve	1 163 806	—	—	1 163 806	1 163 806	1 163 806	1 163 806
Revenue reserves	244 917 776	—	—	244 917 776	244 917 776	244 917 776	244 917 776
Foreign currency translation reserve	—	—	—	—	191 819 010	383 638 023	511 517 364
Fair value reserve	8 153 639	—	—	8 153 639	8 153 639	8 153 639	8 153 639
Equity attributable to equity holders of the parent	315 678 592	—	—	315 678 592	507 497 602	699 316 615	827 195 956
Non-controlling interests	121 942	—	—	121 942	121 942	121 942	121 942
TOTAL EQUITY	315 800 534	—	—	315 800 534	507 619 544	699 438 557	827 317 898
TOTAL LIABILITIES AND EQUITY	2 376 722 996	73 012 460	197 304	2 449 932 760	2 751 566 416	3 053 200 075	3 254 289 180

** The Other Deposits figure of \$306,757,791 denominated in USD has been retained on the sensitivity analysis at a rate of US\$1:RTGS\$1 as the Group is of the view that there is no impact on the sensitivity analysis itself given that these balances are subject to a special settlement arrangement which guarantees exchangeability at that rate.

COMPANY FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31 DECEMBER 2018

		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Revenue	2	13 585 208	13 217 292
Operating expenditure	3	(10 194 845)	(12 075 700)
Operating profit		3 390 363	1 141 592
Taxation	4.1	(38 595)	(14 776)
Profit for the year after tax		3 351 768	1 126 816
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods.			
Movement on property revaluation		(2 588)	3 486
Fair value losses on equity investments		(19 898)	-
Deferred income tax relating to other comprehensive income	4.3	3 979	(898)
Total comprehensive income for the year		3 333 261	1 129 404
Profit for the year attributable to:			
Equity holders of parent		3 351 768	1 126 816
Total profit for the year		3 351 768	1 126 816
Total comprehensive income attributable to:			
Equity holders of parent		3 333 261	1 129 404
Total comprehensive income for the year		3 333 261	1 129 404
Earnings per share (US cents):			
Basic	6.1	0.64	0.22
Fully diluted	6.1	0.64	0.21

COMPANY'S STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
ASSETS			
Other assets	12	583 184	508 763
Investments in equities		11 026 605	6 571 492
Investments in subsidiaries	8	53 324 067	52 568 148
Property and equipment	10	412 022	303 566
TOTAL ASSETS		65 345 878	59 951 969
LIABILITIES			
Overdraft	5	12 293 243	4 504 461
Other liabilities	13	7 199 305	12 017 649
Deferred taxation	11	631 389	21 178
TOTAL LIABILITIES		20 123 937	16 543 288
EQUITY AND RESERVES			
Share capital	16.1*	6 869 625	6 868 795
Share premium	16.2*	40 023 014	40 013 748
Revaluation reserve		-	2 588
Treasury shares	16.3*	(17 588 582)	(17 588 582)
Revenue reserve	15	12 362 786	12 977 083
Fair Value reserve	14	2 391 292	-
Share option reserve	9	1 163 806	1 135 049
TOTAL EQUITY AND RESERVES		45 221 941	43 408 681
TOTAL LIABILITIES AND EQUITY		65 345 878	59 951 969

*Notes 16.1, 16.2 and 16.3 are consistent with notes 29.1, 29.2 and 29.3 of the Group, respectively.

COMPANY'S STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US\$	Share premium US\$	Treasury shares US\$	Revaluation Reserve US\$	Share option reserve US\$	Fair value reserve US\$	Revenue reserve US\$	Total US\$
2017								
Opening balance	6 868 288	40 008 086	(17 588 582)	-	1 101 026	-	14 400 233	44 789 051
Total comprehensive Income	-	-	-	2 588	-	-	1 126 816	1 129 404
Dividend	-	-	-	-	-	-	(2 549 966)	(2 549 966)
Employee share option expense	-	-	-	-	35 720	-	-	35 720
Exercise of share options	507	5 662	-	-	(1 697)	-	-	4 472
Closing balance	6 868 795	40 013 748	(17 588 582)	2 588	1 135 049	-	12 977 083	43 408 681
2018								
Opening balance	6 868 795	40 013 748	(17 588 582)	2 588	1 135 049	-	12 977 083	43 408 681
Impact of adopting IFRS 9	-	-	-	-	-	2 407 211	-	2 407 211
Restated balance	6 868 795	40 013 748	(17 588 582)	2 588	1 135 049	2 407 211	12 977 083	45 815 892
Total comprehensive Income	-	-	-	(2 588)	-	(15 919)	-	(18 507)
Profit for the period	-	-	-	-	-	-	3 351 768	3 351 768
Dividend	-	-	-	-	-	-	(3 966 065)	(3 966 065)
Employee share option expense	-	-	-	-	31 536	-	-	31 536
Exercise of share options	830	9 266	-	-	(2 779)	-	-	7 317
Closing balance	6 869 625	40 023 014	(17 588 582)	-	1 163 806	2 391 292	12 362 786	45 221 941

COMPANY'S STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3 390 363	1 141 592
Non-cash items:		
Depreciation	92 824	44 167
Fair value adjustment on financial instruments	(1 266 231)	(1 010 994)
Amortisation	-	947
Reversal of impairment on property and equipment	-	(9 963)
Impairment of fixed assets	6 291	-
Impairment of other assets	222 699	422 593
Loss on sale of assets	39 444	4 836
Gain on sale of equities	(79 452)	-
Employee share option expense	31 536	35 720
Operating cash inflow before changes in operating assets and liabilities	2 437 474	628 898
Changes in operating assets and liabilities		
Other assets	(182 261)	1 466 046
Other liabilities	(5 187 787)	2 266 998
	5 370 048	3 733 044
Corporate tax paid	(46 306)	(133 494)
Net cash (outflow) / inflow from operating activities	(2 978 880)	4 228 448
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(800 000)	(1 248 948)
Proceeds on disposal of PPE	-	97 850
Purchase of property and equipment	(51 154)	(70 321)
Net cash outflow from investing activities	(851 154)	(1 221 419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee share options	7 317	4 472
Dividend paid	(3 966 065)	(2 549 966)
Net cash outflow from financing activities	(3 958 748)	(2 545 494)
Net (decrease) / increase in balances with banks and cash	(7 788 782)	461 535
Balances with banks and cash at the beginning of the year	(4 504 461)	(4 965 996)
BALANCES WITH BANKS AND CASH AT END OF THE YEAR	12 293 243	4 504 461

NOTES TO THE COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INCORPORATION AND ACTIVITIES

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2019. The 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.

2. REVENUE

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Fair value adjustments on financial instruments	1 266 231	1 010 994
Dividend income	6 758 070	6 071 551
Impairment reversal	-	9 963
Loss on disposal of PPE	(39 444)	(4 836)
Interest received	10 820	76 636
Gain on disposal of equities	79 452	-
Management fees	5 493 341	6 052 984
Other operating income	16 738	-
	13 585 208	13 217 292

3. OPERATING EXPENDITURE

Staff costs	5 161 332	8 036 861
Other administration expenses	2 660 420	2 021 013
Audit fees	70 441	71 041
Depreciation	92 824	44 168
Amortisation of Intangible assets	-	947
Interest expense	1 980 838	1 479 077
Impairment of fixed assets	6 291	-
Write off	222 699	422 593
	10 194 845	12 075 700

4. TAXATION

4.1 The following constitutes the major components of income tax expense recognised in the Statement of profit or loss.

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Current tax	25 309	3 789
Deferred tax	13 286	10 987
Income tax expense	38 595	14 776

4.2 Tax rate reconciliation

	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Non-deductible expenses	36.64	136.91
Exempt income	(61.4)	(161.37)
Tax credit	0.15	(0.41)
Effective tax rate	1.14	(2.66)

Included in exempt income is dividend income and fair value adjustment of shares
Non-deductible expenses include disallowable donations and expenditure on exempt income.

- 4.3 The following constitutes the major components of deferred income tax expense
Recognised in the statement of other comprehensive income

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Revaluation of property and equipment	-	898
Unlisted equities	3 979	-
	3 979	898
5. BANK OVERDRAFTS		
Overdraft	12 293 243	4 504 461

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:

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
6.1 Earnings		
Basic	3 333 261	1 126 816
Fully diluted	3 333 261	1 126 816
Number of shares used in calculations (weighted)	Shares	Shares
Basic earnings per share (weighted)	517 953 389	517 863 996
Fully diluted earnings per share	528 934 178	533 248 567
6.2 Reconciliation of denominators used for calculating Basic and diluted earnings per share:		
Weighted average number of shares before Adjustment for treasury shares	686 935 236	686 845 843
Less: Treasury shares held	(168 981 847)	(168 981 847)
Weighted average number of shares used for basic EPS	517 953 389	517 863 996
Potentially dilutive shares	10 980 789	15 384 571
Weighted average number of shares used for diluted EPS	528 934 178	533 248 567
7. DIVIDENDS		
Interim dividend paid	2 621 049	1 344 283
Final dividend proposed and paid	1 345 016	1 205 683
	3 966 065	2 549 966
Interim dividend per share(cents)	0.50	0.20
Final dividend per share(cents)	0.26	0.18
Dividends are paid on shares held at the record date, net of treasury shares, held on the same date. The dividend per share is calculated inclusive of treasury shares		
Final dividend proposed and paid	6 430 606	1 762 371
	6 430 606	1 762 371
Final dividend per share(cents)	1.24	0.26
Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2018.		

8. INVESTMENT IN SUBSIDIARIES

	31 Dec 2018 US\$	%	31 Dec 2017 US\$	%
CBZ Bank Limited	21 839 891	100	21 839 891	100
CBZ Asset Management	1 987 950	100	1 987 950	100
CBZ Building Society	19 114 990	100	19 114 990	100
CBZ Insurance (Private) Limited	2 259 839	98.4	2 259 839	98.4
CBZ Properties (Private) Limited	4 779 144	100	4 779 144	100
CBZ Life Assurance (Private) Limited	1 388 014	100	1 388 014	100
CBZ Asset Management (Mauritius)	88 909	100	132 990	100
CBZ Risk Advisory Services	1 345 080	100	545 080	100
Red Sphere Finance (Private) Limited	520 250	100	520 250	100
	53 324 067		52 568 148	

9. EMPLOYEE SHARE OPTION RESERVE

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Opening balance	1 135 049	1 101 026
Share options to employees	28 757	34 023
Closing balance	1 163 806	1 135 049

During the year 83 072 shares were exercised after vesting and US\$7 717 was realised from the exercise.

Shares under option

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

	Subscription price	Number of Shares
Granted 1 June 2012	US\$0.0881	40 000 000
	AUDITED 31 DEC 2018 Shares	AUDITED 31 DEC 2017 Shares
Movement for the year		
Opening balance	37 280 869	37 331 624
Options exercised	(83 072)	(50 755)
Closing balance	37 197 797	37 280 869

No share options were forfeited or expired during the year.

The valuation of the share option scheme was carried out by professional valuers. The estimated fair value of the options granted was determined using the Black Scholes-Merton option pricing model with applicable adjustments to accommodate contract specific features and in accordance with IFRS 2 "Share Based Payments". The following are some of the inputs considered in the determination of the option values:

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

Valuation inputs:**Exercise price**

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

Expected volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a year, for example between grant date and the exercise date. Volatility was estimated using the standard historical volatility estimation procedure, adjusted for actual trading days per year on the Zimbabwe Stock Exchange.

Expected dividends

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

Risk free rate of return

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

10. PROPERTY AND EQUIPMENT**31 December 2018**

	Buildings	Motor vehicles	Computer and Equipment	Total
Cost				
Opening balance	195 000	47 680	671 523	914 203
Additions	369 444	159 903	51 154	580 501
Revaluation gain	(3 486)	-	-	(3 486)
Impairments	(11 514)	-	-	(11 514)
Disposal	(369 444)	-	-	(369 444)
Closing balance	180 000	207 583	722 677	1 110 260
Accumulated depreciation				
Opening balance	-	2 980	607 657	610 637
Charge for the year	5 223	65 223	22 378	92 824
Revaluation	(5 223)	-	-	(5 223)
Closing balance	-	68 203	630 035	698 238
Net book value	180 000	139 380	92 642	412 022

31 December 2017

	Buildings	Motor vehicles	Computer and Equipment	Total
Cost				
Opening balance	185 000	201 581	655 621	1 042 202
Additions	1 377	47 680	21 264	70 321
Revaluation gain	8 623	-	-	8 623
Disposal	-	(201 581)	(5 362)	(206 943)
Closing balance	195 000	47 680	671 523	914 203
Accumulated depreciation and impairment				
Opening balance	-	85 498	590 055	675 553
Charge for the year	4 826	21 037	18 304	44 167
Disposal	-	(103 555)	(702)	(104 257)
Revaluation	(4 826)	-	-	(4 826)
Closing balance	-	2 980	607 657	610 637
Net book value	195 000	44 700	63 866	303 566

11. DEFERRED TAXATION

- 11.1 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

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Opening balance	-	2 926 944
Additions	-	(2 926 944)
Closing balance	-	-

11.2 DEFERRED TAXATION (Continued)**Deferred tax liability**

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

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

	AUDITED 31 DEC 2018 US\$	AUDITED 31 DEC 2017 US\$
Opening balance	21 178	9 293
Impact of IFRS 9	601 802	-
Equity investments	8 998	10 110
Property and equipment	(711)	1 897
Intangible assets	122	(122)
Closing balance	631 389	21 178

12. OTHER ASSETS**Intercompany balances**

CBZ Insurance	-	31 124
CBZ Life	-	-
CBZ Asset Management(Mauritius)	-	110 997
Receivables	583 184	366 642
	538 184	508 763

Included in receivables are dividends due from investments and other receivables

The intercompany balances were tested for impairment under IFRS 9 and the impact was not significant.

13. OTHER LIABILITIES**Intercompany balances**

CBZ Bank	6 415 779	9 978 449
CBZ Asset management	3 069	436 068
CBZ Building society	46 032	54 168
Optimal Insurance	21 537	-
CBZ Life	9 209	7 361
Sundry creditors and accruals	703 679	1 541 603
	7 199 305	12 017 649

14. FAIR VALUE RESERVE

Opening balance	-	-
Impact of adopting IFRS 9	2 407 211	-
Comprehensive income for the year	(15 919)	-
Closing balance	2 391 292	-

14.1 Impact on IFRS 9 Adoption

Recognition of expected credit losses under IFRS 9 for unlisted equities	3 009 013	-
Deferred tax relating to the above	(601 802)	-
	2 407 212	-

15. REVENUE RESERVES

Opening balance	12 977 083	14 400 233
Total comprehensive income	3 351 768	1 126 816
Dividend paid	(3 966 065)	(2 549 966)
	12 362 786	12 977 083

COMPANY ACCOUNTING POLICIES

The Company's accounting policies are consistent with those applied by the Group.



NOTICE TO MEMBERS

Notice is hereby given that the Twenty-Eighth Annual General Meeting of the Shareholders of CBZ Holdings Limited will be held in the Stewart Room, Meikles Premier Hotel, Harare, on Wednesday 5 June 2019 at 15:00 hours for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company and the respective reports of the Directors and External Auditors for the year ended 31 December 2018.
2. To consider the payment of a final dividend to Members.
3. Directorate
 - i) In accordance with Article 88 of the Memorandum and Articles of Association, one third of the Directors are required, after serving a period of three years, to retire from the Board by rotation and that in terms thereof Colin Chimutsa is eligible for retirement by rotation. Being eligible, the Director offers himself for re-election.
 - ii) In accordance with Article 80 of the Articles of Association, the following Directors appointed during the course of the year: John Matorofa, Blessing Mudavanhu and Malcom John Hollingworth are required to retire at their first Annual General meeting after appointment and they being eligible, offer themselves for reappointment.
 - iii) To note the retirement of Tafadzwa Gaylord Nyamayi who retired from the Board with effect from 10 January 2018
 - iv) To note the retirement of Tsitsi Mutasa who retired from the Board with effect from 1 June 2018
 - v) To note the retirement of Roseline Nhamo, Givemore Taputaira and Fouad Dernawi after having served the Board for 10 years.
 - vi) To approve the appointment of John Matorofa and Malcom John Hollingworth as Independent Non-Executive Directors of the Board.
 - vii) To approve the appointment of Blessing Mudavanhu as an Executive Director of the Board.
 - viii) To approve Directors' fees for the year ended 31 December 2018.
4. To appoint Ernst & Young Chartered Accountants (Zimbabwe) as External Auditors of the Company for the year ending 31 December 2019.
5. To approve the External Auditors' fees for the year ended 31 December 2018.

SPECIAL BUSINESS

1. SPECIAL RESOLUTION

- i) In accordance with Article 11(b) of the Memorandum and Articles of Association, to approve the cancellation of 168 981 847 treasury shares being 24.6% of the Company's issued share capital as at 31 December 2018, through the adoption of the following special resolution:

"That the Directors be and are hereby authorised to cancel 168 981 847 treasury shares, being 24.6% of the Company's issued share capital as at 31 December 2018."

GENERAL

To transact such other business as may be transacted at an Annual General Meeting.

Notes:

- a. In terms of the Companies Act (Chapter 24:03) a Member of the Company 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.
- b. A Special Resolution is required to be passed by a majority of seventy-five percent of those present and voting (excluding proxy votes), representing not less than twenty five percent of the total number of votes in the Company.

BY ORDER OF THE BOARD



Rumbidzayi Angeline Jakanani
GROUP LEGAL CORPORATE SECRETARY

REGISTERED HEAD OFFICE
5 Campbell Road
Pomona
Harare
Telephone: (263-242) 748 050 - 79
Email: info@cbzh.co.zw
www.cbz.co.zw

3 May 2019

GROUP DETAILS

REGISTERED HEAD OFFICE

5 Campbell Road
Pomona, Borrowdale
Harare, Zimbabwe
Telephone: (263-242) 748 050 - 79
Email: info@cbz.co.zw
www.cbz.co.zw

TRANSFER SECRETARIES

First Transfer Secretaries (Private) Limited
1 Armagh Avenue
Eastlea
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P O Box 11 Harare
Zimbabwe
Tel: +263 4 782869/72; +263 772 146157
+263 4 749048
Email: info@fts-net.com
www.fts-net.com

LEGAL PRACTITIONERS

Mawere & Sibanda Legal Practitioners
3rd Floor Chiyedza House
1st Street/ Kwame Nkrumah Avenue
P.O Box CY 1376
Causeway
Harare, Zimbabwe

AUDITORS

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way/ Kwame Nkrumah Avenue
P O Box 62 or 702
Harare Zimbabwe Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 / 773842
Email: admin@zw.ey.com
www.ey.com

[illegible]

FORM OF PROXY

I/We _____

Of _____

Being a member of CBZ Holdings Limited and entitled to.....votes hereby appoint

Of _____

Or failing him/her _____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held in the Stewart Room, Meikles Premier Hotel, Harare, on Wednesday, 16 May 2018 at 15:00 hours and at any adjournment thereof.

Signed by me this _____ day of _____ 2018

Signature: _____

NOTES:

1. Any member of the Company entitled to attend and vote at the meeting of the company shall be entitled to appoint another person, whether a member of the Company or not, as his proxy to attend, vote and speak in his stead.
2. Proxy Forms should be forwarded to reach office of the Company at least 48 (forty-eight) hours before the time appointed for holding the meeting.
3. An instrument appointing a proxy shall be valid only for the one specified meeting for which it shall be submitted and any adjournment thereof.

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