Since 1951

ZB FINANCIAL HOLDINGS

ANNUAL REPORT 2016

65 YEARS

Stability
Growth
Innovation

Contents

Corporate Information

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

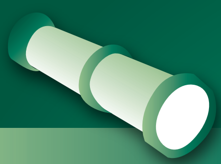
Company Registration Number
1278/89

Date of Incorporation
29 May 1989

Group Company Secretary
C T Kathemba

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

Board of Directors
O Matizanadzo (Chairman), R Mutandagayi (Group Chief Executive), F Kapanje (Group Finance Director), O Akerele, S Bvurere, M Mahachi, Prof. C Manyeruke, R Mbaiwa, Prof. Z Muranda, Dr J D G Nhavira, P B Nyoni, N M Vingirai



VISION

Passionate focus on wealth creation for you.

MISSION

To create unparalleled value.

VALUES

Innovation

Service Excellence

Integrity

Learning and Sharing

Notice to Shareholders

Notice is hereby given that the Twenty-Eighth Annual General Meeting of the shareholders of ZB Financial Holdings Limited will be held in the Board Room, Ground Floor, 21 Natal Road, Avondale, Harare, on Friday 12 May 2017, commencing at 1030 hours to transact the following business:

ORDINARY BUSINESS

1. Financial Statements and Statutory Reports
   To receive, consider, and adopt, if appropriate, the financial statements, and the reports of the directors and auditors for the year ended 31 December 2016.

2. Dividend
   To confirm the final dividend of 1,26 US cents per Ordinary Share as recommended by the Board.

3. Directorate
   i) Messrs T P B Mpofu, E Munemo, E Hamandishe and Ms T I Chirisa resigned from the Board after the last Annual General Meeting.
   ii) In terms of Article 62 of the Company's Articles of Association, Messrs Olatunde Akerele, Michael Mahachi, Terekuona Sydney Bvurere, Obey Matizanadzo, Nicholas Mugwagwa Vingirai, Richard Mbaiwa, Dr John Davison Gondwe Nhavira, Professor Charity Manyeruke and Professor Zororo Muranda were appointed to the Board after the last Annual General Meeting of the Company, and being eligible offer themselves for election at the meeting.

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

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

6. Special Business
   To consider and if deemed fit, to pass resolutions in respect of the following matters:
   6.1 The propriety of the payment by the Company of a dividend claim in the sum of US$658 699 to Transnational Holdings Limited (THL) on 23 January 2017. (See notes).
   6.2 The claim by THL to be issued with a further 10 876 184 shares in the Company. (See notes).
   6.3 To receive a report on a corrective order issued to the Company by the Reserve Bank of Zimbabwe on 7 March 2017. (See notes).

7. Any Other Business
   To transact any other business as may be transacted at an Annual General Meeting.
   In terms of the Companies Act (Chapter 24;03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote and speak in his stead.
   The proxy form must be delivered at the registered office of the Company not less than 48 hours before the meeting is scheduled to commence.

A proxy need not be a member of the Company.

By order of the Board,

C T Kathemba
Group Secretary

13 April 2017
First Floor, 21 Natal Road
Avondale
HARARE

Notice to Shareholders (continued)

NOTES:

1. **THL's Dividend Claim**

   On 31 May 2016, the Government of Zimbabwe (GoZ) entered into an agreement with Transnational Holdings Limited (THL). The effective date of the agreement was the date of its signing i.e. 31 May 2016.

   In terms of the agreement, the GoZ agreed to transfer 19.79% out of its 23.50% shareholding in the Company's issued shares, to THL. The GoZ retained 3.71% of the issued share capital of the Company.

   A copy of the agreement document was received at the offices of the Company on 27 June 2016. The covering letter did not contain any instructions regarding payment of any dividend due to GoZ.

   At the last AGM of the Company held on 27 May 2016, payment of a dividend to shareholders for the year ended 31 December 2015, was approved.

   The record date for the dividend payment was 17 June 2016. The dividend was paid to shareholders in the Company's register on 28 June 2016. As at that date, GoZ was still the registered shareholder of the 23.50% issued shares in the Company.

   The 19.79% which, according to the agreement between GoZ and THL, was to be transferred to THL, was only registered in THL's name on 6 February 2017.

   THL claimed the dividend on the basis that according to its agreement with GoZ, the risk and profit on the shares to be transferred to THL, was held by THL from 31 May 2016.

   The Company paid the dividend to GoZ, because as at the date of the payment, GoZ was the registered holder of the shares.

   The board has requested GoZ to refund the dividend paid to it but no response has as yet been received from the GoZ and no liability has been admitted by GoZ.

2. **THL's claim of 10 876 134 shares**

   On 2 March 2007, the Company held an EGM. The EGM followed a High Court sanctioned scheme of arrangement for the Intermarket Holdings Limited (IHL) Group of companies.

   At the EGM an optional offer of ZBFH shares was made to IHL's minority shareholders. At that time, THL then held 15.61% of the issued share capital of IHL. The optional offer of ZBFH shares entitled THL to 10 876 134 shares in the Company, being 6.21% of the issued shares.

   In terms of the scheme document for the EGM, all IHL shareholders, including THL, had until 23 March 2007, to accept the offer to swap their IHL shares for ZBFH shares. THL did not accept the offer until it lapsed.

   The agreement between GoZ and THL was premised on the belief that the offer to THL of a 6.21% shareholding in the Company was still available and could be accepted by THL.

   This belief may have been partly based on Note 8 of the Scheme document for the EGM.

   The note reads as follows:

   "ZB Financial Holdings Limited is bound in terms of the Offer to accept only those IHL shares surrendered in terms of the Offer. However, ZB Financial Holdings Limited reserves the right, without prejudice to its other rights, to condone the non-observance by any IHL shareholder of any of the terms of the Offer."

   If the Company agrees to condone THL's non-compliance with the terms of the 2007 scheme, the Company would have to issue 10 876 134 shares to THL as a new issuance of shares.

   The net effect would be a dilution of 5.8% of the existing shareholders.

3. **Corrective Order**

   The corrective order issued by RBZ related to matters mostly of a corporate governance nature.

   The matters have largely been attended to, but the following remain to be resolved:

   a. Refund of the dividend to the Company by THL. THL is contesting the claim for the refund.
   b. Appointment of independent non-executive directors and the constitution of Board Committees for the Company.
   c. The position regarding executive appointments.

Shareholder Information

ANALYSIS OF SHAREHOLDERS as at 31 December 2016				
Shares held	Number	% Spread	Shares Held	% Holding
1 - 500	230	16.16	48 291	0.03
501 - 1 000	475	33.38	274 172	0.16
1 001 - 10 000	361	25.37	1 502 723	0.86
10 001 - 20 000	213	14.97	3 006 033	1.72
20 001 - 50 000	81	5.69	2 151 344	1.23
50 001 - 100 000	11	0.77	718 005	0.41
100 001 - 500 000	31	2.18	6 336 679	3.62
500 001 - 10 000 000	18	1.26	36 112 374	20.61
10 000 001 - 10 000 000 000	3	0.22	125 041 021	71.36
Totals	1 423	100.00	175 190 642	100.00

ANALYSIS BY CATEGORY				
Shareholders	Number	% Spread	Shares Held	% Holding
Companies	136	10.00	142 161 418	81
FCDA Resident and New Non Resident	9	0.62	14 112	0.01
Individuals	1207	84.38	8 127 314	4.79
Insurance Companies	5	0.35	509 504	0.29
Investment, Trust and Property Companies	13	0.91	8 423 528	4.81
Nominee Company	19	1.34	3 077 480	1.76
Non Resident Transferable	16	1.12	12 568 668	7.17
Pension Funds	18	1.28	308 618	0.17
Totals	1 423	100.00	175 190 642	100.00

TOP 10 SHAREHOLDERS		
Holder Name	Shares Held	% Holding
National Social Security Authority	66 196 080	37.79
Government Of Zimbabwe[1]	41 177 201	23.50
ZB Financial Holdings Limited	17 667 740	10.08
Old Mutual Life Assurance Of Zimbabwe Limited	9 638 159	5.50
Mashonaland Holdings Limited	5 281 975	3.01
Finhold Group Staff Trust	5 273 438	3.01
Guramatunhu Family Trust	2 633 917	1.50
Ministry Of Finance	2 009 157	1.15
Zimre Reinsurance (Private) Limited	1 893 798	1.08
ZB Financial Holdings Pension Fund	1 105 396	0.64
Total Holding Of Top 10 Shareholders	152 876 861	87.26
Remaining Holding	22 313 781	12.74
Total Issued Shares	175 190 642	100.00

[1] 37 557 626 shares constituting 19.79% of the issued share capital of the Company were transferred to Transnational Holdings Limited by the Government of Zimbabwe on 6 February 2017 pursuant to an agreement to transfer shares concluded by the two parties on 31 May 2016.

Realise your dream with a ZB Mortgage

Terms and conditions apply!

Thinking of renovating your home, installing a solar system, building a new house or just the purchase of land or a built up property, ZB has the solution for you!

Call us today!

* The Zimbabwean diaspora also qualify for home mortgages in Zimbabwe.

Group Corporate Structure

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

ZB FINANCIAL HOLDINGS LIMITED

Key Business Areas

Banking Operations

Insurance Operations

Strategic Investments

Major Operations Under Business Area

Banking Operations

- ZB Bank Limited (100%)
- ZB Building Society (75.33%)
- ZB Transfer Secretaries (100%)
- ZB Capital (Private) Limited (100%)

Insurance Operations

- ZB Reinsurance Limited (100%)
- ZB Life Assurance Limited (64%)

Strategic Investments

- ZB Associated Services (Private) Limited (100%)
- Mashonaland Holdings Limited (34.72%)
- Credit Insurance Zimbabwe Limited (42.10%)[2]
- Cell Holdings (Private) Limited (33.32%)

[2] The shareholding in Credit Insurance Zimbabwe Limited is set to be reduced to an effective 8.43% following a rights issue at the company. The Group has taken a strategic decision to consolidate its interests in the short term insurance sector.

Company and Product Profile

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

ZB Bank Limited

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

Products and Services

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

Micro-banking
- Micro business loans
- Savings accounts
- Advisory

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

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

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

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

ZB Building Society

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

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

Company and Product Profile (continued)

ZB Building Society (continued)

Products and Services

Savings products

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

Investments Products

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

Mortgage Products

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

ZB Capital (Private) Limited

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

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

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

Company and Product Profile (continued)

ZB Life Assurance Limited

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

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

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

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

Individual Life Products

- Whole life policies
- Unit linked endowment policies
- Unit linked retirement annuity policies
- Variable immediate annuities
- With profits immediate annuities
- Term assurances
- Capital disability benefits

Employee Benefits Products

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

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

Consultancy Services

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

Consultancy service areas include

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

ZB Reinsurance Limited

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

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

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

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

Products

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

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

Company and Product Profile (continued)

ZB Transfer Secretaries (Private) Limited

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

- Scrip management
- Transfer secretarial services and custodial services

ZB Associated Services (Private) Limited

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

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

Associate Companies

Mashonaland Holdings Limited (Mash)

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

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

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

Cell Insurance Company (Private) Limited (Cell)

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

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

Products

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

Credit Insurance Zimbabwe Limited ("Credsure Insuarance")

Credsure Insurance is a short term insurance company that specialises in credit insurance, bonds and guarantees, while offering other general insurance products.

Up to the end of the year ZBFH controlled 42.1% of Credsure indirectly via ZB Bank Limited and ZB Reinsurance Company. The shareholding was set to reduce to 8.43% after year end following a rights issue at the company.

Products

- Credit, bonds, guarantees
- General insurance

The future is green

Celebrating 65 years
of excellence
in financial services

65 YEARS
Stability
Growth
Innovation

Corporate Governance Report

ZB Financial Holdings Limited (ZBFH) is listed on the Zimbabwe Stock Exchange (ZSE) and endeavors at all times to uphold principles of good corporate practice and conduct as enunciated in the Zimbabwean National Code on Corporate Governance launched on the 9th of April, 2015. Hitherto, the Group's conduct and practices were modelled on the King III Report on Corporate Governance of South Africa, which was then considered a suitable framework for the Group's activities.

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

THE BOARD OF DIRECTORS

The Composition of the Board

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

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

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

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

The Board's Role and Responsibilities

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

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

Corporate Governance Report (continued)

Induction and Evaluation of Directors

New directors go through an induction process that focusing on their fiduciary duties and their responsibilities to the Company, conducted by executive management. The Directors are informed of any new relevant legislation and changing commercial risks that affect the company.

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

Board Committees

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

i) The Board Audit Committee
ii) The Strategy Committee
iii) The Group Marketing Committee
iv) The Nominations Committee
v) The IT Committee
vi) The Human Resources and Remuneration Committee
vii) The Board Risk and Management Committee

The Board Audit Committee

The Committee comprises three non- executive directors.

Its terms of reference include:

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

Corporate Governance Report (continued)

The Strategy Committee

The Committee comprises three non-executive directors and two executive directors.

Its terms of reference include:

- To consider and review on an on-going basis the Group's capital structure and funding.
- To review on an on-going basis the Group's capital management planning.
- To approve the strategy and objectives of the Group.
- To monitor on a regular basis the performance of all business units of the Group against the agreed strategy and set objectives.
- To monitor the state of the relationship between the Group and its various stakeholders.

The Group Marketing Committee

The Committee comprises four non-executive directors and two executive directors.

Its terms of reference include:

- To give a policy direction, guidance and counsel on ZBFH Group's overall marketing strategy with an emphasis on brand visibility and reputation, innovation and new product development, product profitability and pricing, as well as channel management initiatives.
- To review and approve submissions from management on the annual strategic marketing plan objectives, marketing strategies and the marketing budget.

The Nominations Committee

The Committee comprises three non-executive directors.

Its terms of reference include:

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

Corporate Governance Report (continued)

The IT Committee

The Committee comprises three non-executive directors and two executive directors.

Its terms of reference include:

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

The Human Resources and Remuneration Committee

The Committee comprises two non-executive directors and one executive director.

Its terms of reference include:

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

The Board Risk Management Committee

The Committee comprises two non-executive directors and one executive director.

Its terms of reference include:

- To review the adequacy and overall effectiveness of the business units risk management function and its performance, and reports on internal control and any recommendations.
- To review the adequacy of insurance coverage for Group assets.
- To review risk identification and measurement methodologies.
- To review the effectiveness of ZBFH's implementation of its risk management system and internal control framework.

Corporate Governance Report (continued)

BOARD ATTENDANCES DURING THE YEAR

ZB Financial Holdings Limited (ZBFH) Board	
Total meetings	9
Name	Meetings attended
**O Matizanadzo	2
R Mutandagayi	6
F Kapanje	9
O Akerele	5
M Mahachi	4
Prof. Z Muranda	5
Dr J D G Nhavira	2
B P Nyoni	9
N M Vingirai	5
*E Hamandishe	2
*T P B Mpofu	5
*E Munemo	5
*T I Chirisa (Ms)	5

*Mr T P B Mpofu and Ms T I Chirisa resigned from the Board on 6 October 2016. Mr E Munemo and Mr E Hamandishe resigned from the Board on 9 October and 19 October 2016 respectively.
**Elected as Chairman of the Board on 30 March 2017.

ZB Life Assurance Board	
Total meetings	4
Name	Meetings attended
C Mandizvidza	4
R Mutandagayi	4
C Makoni	4
A G Chinembiri	4
E T Z Chidzonga	4
M Mkushi	4
L Mawire	4

ZB Reinsurance Company Board	
Total meetings	4
Name	Meetings attended
R Mutandagayi	4
B Shumba	4
F B Chirimuuta	3
C Nyachowe	4
P Murambinda (Mrs)	4

ZB Bank Board	
Total meetings	5
Name	Meetings attended
S A Sibanda	5
R Mutandagayi	4
P M Matupire	5
C Mandizvidza	5
C Nyachowe	5
G N Mahlangu	4
*V B Sibanda	4
G Chikomo	5
G Nheweyembwa	3

*Mr V B Sibanda resigned from the Board on 24 November 2016.

ZB Building Society Board	
Total meetings	4
Name	Meetings attended
S A Sibanda	4
R Mutandagayi	4
E Mungoni	4
S K Chiganze	3
*T P B Mpofu	3
C Makoni	4
M T Sachak	2
C Sandura	4
*E Munemo	3

*Mr T P B Mpofu resigned from the Board on 6 October 2016. Mr E Munemo resigned from the Board on 9 October 2016.

Directorate

Obey Matizanadzo
Chairman

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

Ronald Mutandagayi
Group Chief Executive

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

Fanuel Kapanje
Group Finance Director

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

Olatunde Akerele
Non Executive Director

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

Terekuona S. Bvurere
Non Executive Director

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

Michael Mahachi
Non Executive Director

- Fellow of the Royal Institute of Chartered Surveyors
- Member of the Zimbabwe Institute of Quantity Surveyors
- Bachelor of Science Quantity Surveying (Natal)
- Teacher's Diploma

Prof. Charity Manyeruke
Non Executive Director

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

Richard Mbaiwa
Non Executive Director

- Masters in Business Adminstration
- Bachelor of Science (Honours) Economics

Directorate (continued)

Prof. Zororo Muranda
Non Executive Director

- Doctor of Philosophy
- Master of Philosophy (Entrepreneurship and Small Business Development)
- Bachelor of Business Studies

Dr. John D. G. Nhavira
Non Executive Director

- Doctor of Philosophy Commerce (Economics)
- Post Graduate Certificate in Teaching
- Masters of Business Adminstration
- Fellow Institute of Bankers
- Zambia Diploma in Accountancy
- Associate Diploma, Institute of Building Societies

Peter B. Nyoni
Non Executive Director

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

Nicholas M. Vingirai
Non Executive Director

- Fellow of the Institute of Bankers (Zimbabwe)
- Advanced Diploma in Business Adminstration and Banking
- Irish Institute of Management
- Mine Surveyor by Training

Corporate Social Investment 2016

Sustainable Corporate Social Investment 2016

Corporate Social Investment is a key element in the execution of strategy at the Group. A number of projects and initiatives were undertaken during the year under review with significant benefits to the communities in which the Group operates. The initiatives focused on creating a sustainable social and economic impact, empowering communities whilst engendering increased environmental awareness. These tenets have been ingrained in the Group's code of ethics, its corporate culture including the way in which the Group develops and markets its products and services and deploys its channels and IT infrastructure.

In pursuit of socially sustainable brand impact, the following investment themes were focused on during the period under review:

- Financial inclusion and financial literacy
- Information technology and infrastructure development
- Building Communities through education and sports
- Sustainable lending and economic development
- Environmental awareness
- Health and social welfare
- Internal brand engagement and wellness

Financial Inclusion and financial literacy

ZB has taken a leading role in answering the Government's call towards financial inclusion by being one of the financial services group to bring banking to the community through the Pauri Khonapho Agency Banking model. The launch of Pauri Khonapho has empowered individuals, small and medium enterprises and other entrepreneurs who have entered the banking services industry as agents of the Group. Over 11 000 agents are providing financial services countrywide with a substantial concentration in, hitherto, unbanked areas which include high density suburbs, growth points and rural areas. This has reduced the need for customers to travel long distances in order for them to access financial services.

Furthermore, a virtual card, the Pauri card which is linked to a mobile phone and can transact any form of local payments was launched. This facility does not require a person to have a regular bank account and is light-weight on normal account opening requirements. The facility is accessible at a very low cost and does not accrue monthly charges whilst transaction charges are minimal. Extensive promotion of Pauri Khonapho and the Pauri card together with financial literacy road shows were carried out in several market places throughout the country. This programme will continue in line with the goal towards financial literacy and empowerment. The economic benefits are already beginning to manifest with several testimonies on development of entrepreneurship coming through as feedback.

Information technology and infrastructure development

In pursuit of environmentally friendly operations, the Group has invested substantially in technologies that reduce the need to set up brick and mortar structures. It has also minimised the use of paper and related stationery as the move towards completely paperless banking concept gathers momentum. The Group encourages its customers to embrace the eco-friendly paperless approach by making use of its platforms which include mobile banking apps, internet banking and cashless transactions through POS and ATMs. The Group now has a vibrant social media presence that has increased engagement with local and diaspora communities. Plans are at an advanced stage to launch a refreshed website and a customer contact centre designed to further minimise trips to the bank and increase economic activity.

Building Communities through Education and Sports

ZBFH aligns itself with goal number 4 of the 17 United Nations Sustainable Development Goals to **"ensure inclusive and quality education for all and to promote lifelong learning".** Schools, colleges and universities are the backbone of national development and as such it is important that they are not recognised as customers of the Group, but as development partners.

Accordingly the Group adopted a multi-faceted approach designed to benefit students, teaching and support staff and the educational institutions through promotions, bursaries, donations and other various forms of partnerships. The brand value is to see continuity in schools as they improve their infrastructure and learning support capabilities in a sustainable manner.

Donations- The ZB Education Fund

A number of schools, colleges and universities have benefited from donations and sponsorships in areas that include building projects, sports tours, information technology and educational tours.

Corporate Social Investment 2016 (continued)

The Group runs an education assistance fund for the underprivileged school children with particular focus on children who have lost their parents. A number of students at secondary and tertiary institutions are benefiting from this facility.

The ZB Schools promotion

The promotion aims to foster financial discipline for schools and fee paying parents/guardians. Opportunities are made available for prizes in cash for maintaining savings or early settlement of fees. These prizes have gone a long way towards infrastructure enhancement projects at participating schools.

A number of sports development programmes including sports tours, provincial and national games have also been sponsored in order to cultivate healthy lifestyles and foster discipline in schoolchildren who are the future leaders of tomorrow.

Sustainable lending and economic development

The Group offers the “Trader Account” which is available to players in the ever increasing informal sector. Such players are able to access small loans to start up or enhance their businesses. Unemployed Individuals have been able to leverage on this opportunity, creating success stories in different ways. The Group is motivated by the increasing number of testimonials it continues to receive of growth from humble beginnings in ventures such as brick making, retailing, farming and other businesses. The Group aims to create entrepreneurial hubs designed to mentor the unemployed so that they can start their own ventures. Lending activities and financial products and services have also been designed for small scale gold miners and farmers to assist in the generation of foreign exchange from exports.

In order for the society to fully benefit from the corporate world, there is need to bring in new ideas to the market and the industry at large. The Group supported a number of platforms where these ideas and discussions were being tabled and discussed. This was done through participation in conferences arranged by the following partner institutions:

- Zimbabwe National Chamber of Commerce
- Institute of Chartered Accountants of Zimbabwe
- Association of Certified Chartered Accountants
- Retailer’s Association Conference and
- Confederation of Zimbabwe Industries

Environmental awareness

In order to create environmental awareness at an early age for school going children, the Group ran an essay competition about “Climate Resilience” which was a progression of the 2016 Zimbabwe Agricultural Show (ZAS) theme “Climate Resilience, The New Agricultural Frontier”. This will be an annual program in which the Group intends to continue in partnership with ZAS and the Wildlife Environment Management Authority.

The Group continues to support Parks and Wildlife Association activities and this year we donated towards the “Save The Rhino” campaign.

The Group is committed towards the national re-forestation agenda. To celebrate the attainment of 65 years of operations, 65 trees were planted at ZB Sports Club. The Group pledged to increase this number to 6500 in 2017, planting trees in the communities in which it operates countrywide.

Donations towards Health and Social Welfare and Mayors Cheer Funds

ZB’s key focus in this area is on cancer awareness. In this regard the Group continues to develop its relationship with Kidzcan and to sponsor the Rotary Cancer awareness breakfast on an annual basis. Beginning 2016 members of staff have started to participate in the awareness and fund raising activities, recognising that everyone has been affected by cancer in one way or the other through the experience of relatives, friends, workmates and the community at large. ZB commits to increase its participation in this area which requires more funding in terms of prevention, awareness and cure.

The Group participated in the Campaign by the Ministry of Health & Child Care in the eradication of Malaria in the country.

Corporate Social Investment 2016 (continued)

ZB also participated in all Mayors' Cheer Fund events that were held in all the cities and towns that it is represented.

Internal brand engagement and wellness

The alignment of brand values with staff personal values is critical in the effort to sustain positive interactions with society at large. In this regard ZB has come up with the ZB Way of doing things that focuses on improving grooming, etiquette and diplomacy. To further enhance skills ZB runs a fully fledged training school. The year 2017 will see heightened engagement programmes designed to enhance the two brands in order to achieve greater effectiveness and further success.

Staff wellness and that of their families is also of concern to us. As such the Group provides a staff clinic and has appointed doctors to take care of their health requirements. A wellness program will be launched in 2017 that will empower staff and will also be rolled out to our customers.

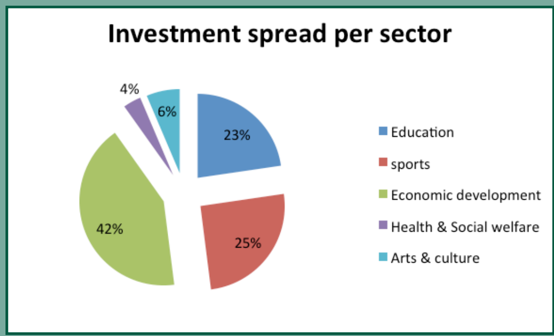


Photo Gallery

Donation to Kidzcan. In the picture Dr Muchuchuti makes a presentation on what KIDZCAN is all about.

ZB staff participated during the Orange week to commemorate children with cancer by donating to the cause and wearing a touch of Orange.

ZB ladies in pink as they supported the breast cancer awareness month.

Medicine donation to Harare Children's home.

Corporate Social Investment 2016 (continued)

Photo Gallery

Donation for the welfare of the underprivileged; Mrs Chipomho hands over a donation to Entembeni Old people's home in Bulawayo.

ZB hosted a breakfast morning for the senior citizens; an important part of the community.

ZB@65 Celebrations

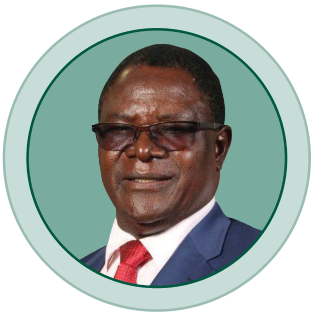
Chief Executive Officer Ron Mutandagayi planting a tree during celebrations in Harare.

Customers and staff enjoying a drum beating exercise.

A fitness instructor and participants going through their paces.

Various artists provided entertainment through out the family fun day.

Acting Chairman's Statement



P B Nyoni
Acting Chairman

The country's economy remained in a deflationary mode with year-on-year inflation in December 2016 being recorded at -0.93%.

Introduction:

It is my pleasure to provide this statement on the affairs of the Company.

Operating Environment:

The Zimbabwean economy performed below target in 2016, with growth estimates being revised by the Ministry of Finance initially from 2.7% to 1.2%, and then subsequently to 0.6%.

The reviews were on the back of various inhibiting factors, the major ones being:

a) the El-Nino induced drought which significantly reduced agricultural output;
b) the depressed international commodity prices, which adversely affected mineral output and earnings; and
c) the sustained strengthening of the US Dollar against the South African Rand, the currency of Zimbabwe's major trading partner, which added to the erosion of the competitiveness of the local manufacturing sector and promoted over-reliance on imports at the expense of local products.

Structural bottlenecks, including power shortages, antiquated machinery and equipment and deteriorating infrastructure have all contributed to economic deceleration.

The country's economy remained in a deflationary mode with year-on-year inflation in December 2016 being recorded at -0.93%.

The equities market rallied in the Fourth Quarter of 2016 to result in a year-on-year increase in the industrial index of 26.3% from 2015, while the mining index rose by 119.9%.

The shortage of bank notes and the resultant payments log-jam had negative consequences on efforts to sustain confidence in the financial sector.

Financial Performance:

Against the background of an increasingly difficult operating environment the Group posted a full year profit of $11.4m for the year ended 2016.

Acting Chairman's Statement (continued)

Outlook:

The removal of the Group from the listing of Specially Designated Nationals maintained by the Office of Foreign Assets Control (OFAC) of the United States Treasury Department on 4 October, 2016 is a major milestone that will open trading opportunities in international markets. Restoration of foreign business activities has so far advanced satisfactorily.

Meanwhile, substantial progress has been made in resolving the long-standing dispute between the Company and Transnational Holdings Limited (THL), a former controlling shareholder of Intermarket Holdings Limited (IHL). THL has been challenging the acquisition of IHL by the Group since 2007. The resolution framework, brokered by the Government of Zimbabwe, will see THL emerging as a significant shareholder in the Company, taking over a substantial part of the shareholding previously held by the Government.

The above developments augur well for the development and maintenance of confidence in the Group. A strategic re-orientation program is underway and should see the Group strengthening its capacity going forward.

Directorate:

Messrs T P B Mpofu, E Munemo, E Hamandishe and Ms T I Chirisa resigned from the Board in October, 2016. On behalf of the Board, I would like to thank them for their contribution to the affairs of the Group during their term. I wish them success in their future endeavours.

The Board welcomes and looks forward to the positive contribution of Mr M Mahachi, Prof. Z Muranda, Mr N M Vingirai, Mr O Matizanadzo and Dr J D G Nhavira who all joined the Board in the second half of 2016 as well as Mr S Bvurere who joined in February 2017.

Conclusion:

I would like to thank our staff, management, clients and other stakeholders for their support during the period under review.

P B Nyoni
Acting Chairman
2 March, 2017

Group Chief Executive's Report

Ronald Mutandagayi
Group Chief Executive

Net interest and related income remained flat at $16.7m, with short-term margin trading contributing 50% of that outturn.

Performance Background:

The year 2016 was fraught with adverse factors which constrained performance momentum. These included weak credit absorption capacity, which slowed down asset growth, and the capping of interest rates and fees which reduced earning margins.

The drag effect of these negative factors was partially offset by earnings from short-term trading activities on the back of increased volumes, loan recoveries and the expansion of commissions from an increased customer base and product offering.

Improved cost efficiency assisted in the achievement of a profitable outturn.

Operating Results:

Net revenue increased by 12% from $57.9m in 2015 to $65.1m in 2016. Net loan recoveries at $0.8m account for a $3.7m turnaround from a net impairment charge of $2.9m posted in 2015. In similar fashion, fair value adjustments, driven largely by the performance of listed equities, turned around from a negative of $1.4m to a positive of $0.2m, an upswing of $1.6m.

Commissions and fees improved by 4% from $37.1m to $38.5m, a result of the business mobilization efforts in a period where fees rates were reduced by over 50% in some instances.

Net interest and related income remained flat at $16.7m, with short-term margin trading contributing 50% of that outturn.

A 4% reduction in gross insurance premiums from $31.0m to $29.8m was largely a result of an 8% reduction in short-term insurance business arising from risk rebalancing initiatives. Life assurance premiums increased by 6% during the period. The aggregate net insurance premiums however increased marginally by 4% from $8.5m to $8.8m showing the impact of a combined better claims outturn and managed business mobilization commissions.

Operating expenses increased by 7% from $46.3m to $49.5m, the increase being spurred by the higher depreciation and amortisation charges related to the investments in technologies. Cost efficiency however improved with the cost to income ratio closing at 76% compared to 80% in 2015.

Group Chief Executive's Report (continued)

Total assets increased from $417.6m in 2015 to $439.3m in 2016. Earning assets contributed 69% to total assets. Cash and cash equivalents increased by 47% from $55.8m to $82.2m; the Group adopted a cautious approach on asset placements in view of the transient nature of the underlying funding. The aggregate liquidity ratio was maintained at more than 70% throughout the year.

A guarded approach to credit creation continued during the year, leaving net advances almost flat at $99.2m despite substantial recoveries.

Deposits increased by 2% from $269.7m in 2015 to $275.3m in 2016. These balances are however sensitive to short-term market dynamics. Life assurance funds increased by 2% from $27.8m in 2015 to $28.3m in 2016. This reflects a combination of an increase in the underlying business as well as the performance of supporting assets.

A steady growth profile in the Group's equity has been achieved from the yearly earnings.

Business Update:

The Group has continued to innovate and invest in leading technologies. The focus for Banking Operations in 2016 was to achieve improved system availability and increased usage on platforms recently deployed.

For the Insurance Operations, a project was commissioned in the last quarter for the replacement of the administration system. This is expected to result in an improvement in the quality of underwriting and turnaround time.

A number of milestones were achieved during year. These include the following:

a) The Group launched the Agency Banking business model under the brand "ZB Pauri / Khonapho". Through this initiative customers are now able to enjoy limited banking services through more than ten thousand agents throughout the country.

b) A new digital platform was launched during the year to provide a refreshed internet and mobile banking experience.

c) In partnership with Fidelity Printers and Refiners, a Gold Card was launched for general use by artisanal gold miners as a response to the national call for financial inclusion.

d) The Group expanded its Point of Sale (POS) network as an intervention to address on-going cash shortages on the market.

The Group attained 65 years of existence. Celebrations were held throughout the country with its stakeholders.

Internal Stakeholders

Cordial relations with staff were maintained throughout the year.

Acknowledgements:

I would like to thank our valued customers for their continued support. My gratitude also extends to the Board for its wise counsel, and management and staff for their efforts during the year.

R Mutandagayi
Group Chief Executive
2 March, 2017

The future is in innovation

Leveraging on technology has been key to ZB, as we trail-blazed the financial services sector leading to us becoming one of the most innovative financial institutions locally.

Look out for even more innovative and exciting products, particularly on international financial needs and services.

Come on board. Let's chart new territories together!

Economic Overview

WORLD ECONOMY

Global economic growth is estimated to have fallen by 0.4 percentage points, from 2.7% in 2015 to 2.3% in 2016, the weakest performance since the global financial crisis. Stagnant global trade, subdued investment and heightened policy uncertainties characterised 2016 as another difficult year for the world economy.

Growth in advanced economies continued to be subdued on the back of low inflation, increased uncertainty about policy direction, tepid investment and sluggish productivity growth. In the United States of America (USA) and several major economies, economic activity decelerated and, consequently, advanced economies' growth is estimated to have fallen by 0.5 percentage points from 2.1% in 2015 to 1.6% in 2016. Growth in advanced economies is expected to recover to an annual average of 1.8% over the period 2017-18. In the USA manufacturing activity is expected to rebound, contributing to an increase in growth from 1.6% in 2016 to an average of 2.2% over the period 2017 to 2018.

Emerging Market and Developing Economies (EMDEs) are estimated to have grown by 3.4% in 2016, with growth expected to accelerate in 2017, reflecting receding obstacles to activity by commodity exporting countries and continued solid domestic demand by commodity importing countries. Weak investment and productivity growth are, however, weighing down on medium-term prospects across many EMDEs. As a group, commodity exporters continued to expand at markedly lower rates than commodity importers. Growth in commodity exporters for 2016 is estimated at 0.3%. Meanwhile, commodity importers are estimated to have grown by 5.6%, reflecting resilient domestic demand, low commodity prices, and generally accommodative macroeconomic policies. Improved performance in some large EMDE exporters, including a more rapid bottoming out in the Russian Federation and an easing in the pace of contraction in Brazil and an increase in commodity prices from their early 2016 lows, offset additional weaknesses in other exporters, most notably in Sub-Saharan Africa. In 2017, EMDEs growth is expected to accelerate to 4.2%, and to an average of 4.7% in 2018 and 2019. EMDEs are forecast to contribute 1.6 percentage points to global growth in 2017, accounting for about 60% of global growth for the first time since 2013. The long term EMDEs outlook is clouded by a number of factors most prominently uncertainty about global trade prospects and advanced economies' policies, a weakening in potential output resulting from subdued investment and sluggish productivity growth among other factors.

In 2017 global economic output is expected to increase by 0.4 percentage points to 2.7%, mainly reflecting a recovery in EMDEs. Downside risks to global growth include increasing policy uncertainties in major advanced economies and some EMDEs, financial market disruptions and weakening potential growth.

DOMESTIC ECONOMY

1.1 Economic Growth

Growth in the domestic economy, estimated at 0.6% in 2016, remained subdued on the back of various inhibiting factors. These included, inter-alia, the El-Nino induced drought which significantly reduced agriculture output, the depressed international commodity prices, which adversely affected mineral output and earnings, as well as the sustained strengthening of the US Dollar against the South African Rand, currency of Zimbabwe's major trading partner, which eroded the competitiveness of the local manufacturing sector and promoted over-reliance on imports at the expense of local products. Structural bottlenecks, including continued power shortages, antiquated machinery and equipment, deteriorating infrastructure and social vices, mainly corruption, all contributed to the economic deceleration.

In 2017, the agriculture and mining sectors, projected to grow by 12% and 0.9% respectively, are expected to drive overall economic growth. The growth prospects largely hinge on the "success" of Government initiatives at boosting domestic production, including command agriculture, vulnerable households inputs scheme, export incentives and other incentives as provided for in Statutory Instrument (SI) 64 of 2016, as well as success in the Government's quest to clear arrears with preferred multilateral creditors, thereby unlocking credit lines.

The Government of Zimbabwe expects the economy to grow by 1.7% in 2017, on the back of growth in mining and agriculture, benefiting from the anticipated normal to above-normal rainfall, as well as the fruition of planned mining investments and the ease of doing business reforms.

Economic Overview (continued)

1.2 REAL SECTORS

1.2.1. Agriculture Sector

The agriculture sector is projected to grow from a negative 3.7% in 2016 to a robust 12% in 2017, driven by higher output from major crops such as maize (203% growth in output from 511 000 tons in 2016 to 1.550 million tons in 2017), cotton (233% growth in output from 30 000 tons in 2016 to 100 000 tons in 2017) and tobacco (1.33% growth in output from 202 300 tons in 2016 to 205 000 tons in 2017), as well as milk production (9.3% growth in output). Significant growth is also expected in groundnuts (58.9% growth in output), small grains (sorghum 37.7% growth, barley 92.3% growth) as well as in poultry (7.14% output growth). Growth of the agriculture sector is however expected to be downplayed by declining output in beef (6.25%) and pork (7.4%). Furthermore, there is considerable risk of a high incidence of diseases and pests (e.g. outbreak of the Armyworm pest in maize) owing to the above-normal rainfall. Maize and tobacco output could be adversely affected.

The Government is projecting the 2016/17 tobacco output at 205 million kg, a 1.5% rise from 202 million kg attained in the 2015/16 season, despite the danger of diseases associated with excessive rainfall experienced in the 2016/17 season. Statistics from the Tobacco Industry and Marketing Board (TIMB) show that as at end of December 2016, about 164.5 million kg of tobacco valued at US$933.6 million had been exported, while the area planted stood at 91 805 hectares, up from 87 755 hectares in the 2015/16 season.

Production of cotton has continued to decline mainly owing to viability challenges, which have resulted in high production costs against low prices. In 2016, cotton output declined to 30 000 tons, from 84 000 tons in 2015 and 143 000 tons in 2014. Over the years, the Government of Zimbabwe has moved to boost cotton production through various interventions, the latest of which is the Vulnerable Households Inputs Scheme, through which cotton inputs in support of 400 000 communal farmers were availed for the 2016/17 season, aimed at raising the cotton output to at least 100 000 tons for the 2016/17 season.

1.2.2. Manufacturing Sector

The manufacturing sector continues to face hurdles in its quest to operate at full capacity. In 2016, the sector continued to reel from the combined effects of antiquated and obsolete machinery and equipment, power outages, limited availability and high cost of finance, high input costs, diminishing competitiveness on the domestic and global markets wrought by the strengthening US Dollar, among other factors. The manufacturing sector is estimated to have grown by just 0.3% in 2016.

In a bid to address some of the challenges facing the sector, the Ministry of Industry and Commerce introduced SI 64 of 2016, removing about 43 products, with locally produced alternatives, from the general import licence, in order to stimulate growth in domestic production. The Confederation of Zimbabwe Industries (CZI), in its 2016 Manufacturing Sector Survey reported that, owing largely to the effects of SI 64, manufacturing capacity utilisation rose from 34.3% in 2015 to 47.4% in 2016. Furthermore, the Ministry of Finance introduced a 5% export incentive via issuance of bond notes to exporters.

On the back of Government interventions, which are aimed at “sustaining the evening of the playing field, re-kindling business confidence, and enhancing competitiveness through lowering the cost of doing business and improving the business and investment environment”, the Manufacturing Sector is projected to grow by a marginal 0.1% in 2017.

1.2.3. Mining Sector

The mining sector is estimated to have grown by 6.9% in 2016, underpinned by significant output growth for minerals such as platinum (19.4%), nickel (11.7%), gold (8.9%) and copper (8.2%). Growth in output was complemented by modest recovery in the prices of platinum (7.7%) and gold (5.1%) between January and December 2016.

Economic Overview (continued)

Meanwhile, the country recorded a 17% rise in gold delivered to Fidelity Printers and Refiners (FPR) from 18.3 tonnes in 2015 to 21.4 tonnes in 2016. Gold delivery to FPR, excluding gold from the Platinum Group Metals (PGMs), is expected to reach 25 tonnes in 2017. The rise in gold output is mainly attributable to growth in the contribution of small-scale miners. Statistics show that small-scale producers contributed 9.7 tonnes, while primary producers totalled 11.7 tonnes in 2016.

According to the World Platinum Investment Council (WPIC) 4th Quarter 2016 Report, Zimbabwe registered an 18.5% increase in refined platinum production, from 405 000 ounces in 2015 to 480 000 ounces in 2016.

Supply from the world's biggest platinum producer, South Africa, fell by 5% to 4 240 000 ounces owing to a higher number of safety-related stoppages, as well as general operational challenges which resulted in lower underground ore volumes being hoisted. Total global platinum supply is, however, projected to fall by 4% to 7 660 000 ounces in 2017. The WPIC projects Zimbabwe's refined platinum production to drop by 7% to 445 000 ounces as output normalises.

The mining sector is expected to grow by a marginal 0.9% in 2017, on the back of depressed commodity earnings, coupled with marginal output gains from minerals such as gold and chrome.

1.2.4. Information, Communication and Technology (ICT) Sector

According to the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) Telecommunications Sector 4th Quarter 2016 Report, total mobile phone subscription continued to improve, rising by 5.6%, from 19 477 307 in 2015 to 20 561 437 in 2016. The total number of active mobile telephone subscriptions consequently rose by 1%, from 12 757 410 in 2015 to 12 878 926 in 2016. However, the mobile penetration rate (active) declined by 0.6 percentage points, from 95.4% in 2015 to 94.8% in 2016.

During the same period, the internet penetration rate rose by 1.9 percentage points, from 48.1% in December 2015 to 50% in December 2016. Meanwhile, there was an 8.57% increase in the use of Electronic Payment Transactions in value terms, from US$56.85 billion in 2015 to US$61.72 billion in 2016, with RTGS contributing 77.9% of the total value for 2016. Mobile and Internet Payments continued to rise in volume and value proportions. In value terms, mobile payments rose from constituting 0.89% of total payments in 2012 to 9.4% in 2016, while internet payments rose from 2.6% in 2012 to 4.1% in 2016. In volume terms, mobile payments rose from constituting 52.2% of total transactions in 2012 to 81.2% in 2016. In volume terms, Electronic Payment Transactions rose by 41.9%, from 259.14 million in 2015, to 367.69 million in 2016. Usage of electronic payments is expected to continue to rise in both volume and value terms, due to cash shortages and the resultant increased plastic money usage by Zimbabweans.

In the outlook, performance in the ICT sector is expected to remain robust, anchored by product development and innovation, massive investments in network and grid expansion and upgrading.

1.2.5. Tourism

The Distribution, Hotels and Restaurants sector was projected to grow by an initial 2.4% in 2016 and was later revised to 1.7% due to challenges the country faced as reflected by poor international rankings. The Zimbabwe Tourism Authority (ZTA) anticipated that tourist arrivals would increase to 2.5 million in 2016, benefiting from vigorous destination marketing and promotional activities targeted at the international as well as the domestic markets. On the other hand the United Nations World Tourism Organisation (UNWTO) anticipated that Africa would register a growth in tourist arrivals of between 2% and 5% in 2016.

The 2016 half year figures for international arrivals indicate an increase in tourist arrivals by 12.3% for the Sub Saharan Africa Region. According to the Zimbabwe Tourism Authority (ZTA) 2016 first quarter report, tourist arrivals rose to 450 572 from 387 557 recorded during the corresponding 2015 period. The increase in the numbers was recorded in arrivals from all the source markets except the Oceania.

However, there is a general positive sentiment on the performance of the sector in 2017. Tourist bookings are expected to increase by 7-15% in 2017, on the back of a new and enhanced airport which can handle all types of aircraft. The new Victoria Falls International Airport terminal was commissioned on November 18, 2016. This state-of-the-art airport, with a 4km long runway, is capable of accommodating the big, wide bodied aircraft, including the A380. It is expected to handle 1.5 million passengers a year

Economic Overview (continued)

from the current 176 000. Victoria Falls is poised to become a regional hub, given its geographical location in relation to other tourism destinations, in the region.

1.2.6. Energy Sector

In 2016, energy shortfalls remained one of the biggest constraints to the viability and growth of industries across all sectors of the economy. In fact, the Zimbabwe Power Company (ZPC) highlighted that power output in the 11 months to November 2016 was 7.03% below target with a total 6 282GWh energy sent out against a target of 6 757GWh, largely on account of lower water levels and delays in procurement of spares. Ongoing water conservation efforts at Lake Kariba largely affected electricity generation in 2016. Additionally the liquidity crunch did not spare the power company either, hence, hampering procurement of spares as well as operations at the stations. In addition to the Government's power generation initiatives, independent power producers who showed interest in power generation were also invited to supplement the national grid.

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1. Money Supply Growth

According to the Reserve Bank of Zimbabwe (RBZ), the annual growth rate of broad money rose from 8.22% in December 2015 to 19.20% in December 2016. As at 31 December 2016, the stock of money stood at US$5.680 billion, up from US$4.765 billion in December 2015. Broad money continues to be dominated by deposits that are short-term in nature, which do not support long-term lending, which is a critical ingredient for economic growth.

In the outlook, money supply growth is expected to continue to be sluggish, in the absence of meaningful resuscitation of the productive sectors of the economy. The economy continues to incur leakages in money supply due to the high import bill, exacerbated by the absence of balance of payments support and the continued strengthening of the US Dollar against major currencies, particularly the Rand. Furthermore, the failure to attract foreign direct investment (FDI) and credit lines from donors and financiers has contributed to the decline of the growth in money supply. It is however commendable that the Government is working on instituting measures geared towards improving FDI inflows, among them being amendments to the Indigenisation Act, improving the ease of doing business and payment plans for the settling of the national debt with multilateral creditors.

1.3.2. Inflation

Zimbabwe remained the only country with negative inflation in 2016, in the SADC region, having been in deflationary territory since October 2014. However, the month-on-month rate generally oscillated around 0% and switched to positive territory during the final three months of the year 2016, with annual headline inflation averaging -1.56% for the year, despite accelerating from -2.19% in January 2016 to -0.9% in December 2016. The increase in inflation was driven by both food and non-food inflation. Food inflation rose from -3.96% in January 2016 to -0.95% in December 2016, while non-food inflation accelerated from -1.3% to -0.92% during the same period.

Deflationary pressures, however, still persisted in the economy, largely underpinned by competition from cheap imports, the international oil price slump as well as low disposable incomes.

Inflation is expected to move into positive territory in 2017, for the first time since September 2014, on the back of anticipated increases in international oil prices and domestic sector recovery. There are strong indications that oil supply will fall on the global market, following the agreement by oil producing nations to cut production in 2017. This positive trajectory is expected to be reinforced by the general recovery of the economy in 2017 on account of the expected strong agricultural outturn which is expected to help boost disposable incomes. In view of the above factors, the RBZ projects inflation of around 1 to 2% in 2017.

1.3.3. Exchange Rates

Pursuant to the adoption of the multi-currency regime in 2009, the country remains unable to institute any exchange rate management initiatives, with the only intervention that the RBZ has been able to do to-date being the introduction of bond coins and notes intended to improve the availability of 'change' in the absence of small denomination US Dollar units in the domestic trading market. In 2016, the US Dollar strengthened against 9 out of the 16 most-traded currencies. The Dollar gained the most against the Argentine Peso

Economic Overview (continued)

(22.64%), British Pound (19.55%), Swedish Krona (7.65%) and Chinese Yuan (6.64%). However, the US Dollar fell against the Brazilian Real (17.78%) and against the South African Rand (11.45%), among others.

In 2016, central banks in the USA and Britain both had inflation targets of 2%, while for the European Central Bank the target was "below but close to" that level, which was more or less achieved in all three. Yet among these three it is only the Federal Reserve in the USA that took the anti-inflation step of raising its interest rates from record lows. The US stance on interest rates had the effect of strengthening the US Dollar against other currencies.

Going forward, the US Dollar is likely to appreciate further in the medium-term. Superior economic growth and the anticipated rise in US interest rates will underpin the strength of the US Dollar broadly through mid-to-late 2017.

1.3.4. Money Market and Interest Rates

Following the resumption of the inter-bank trading and the Central Bank's 'lender of last resort' function, albeit on a relatively lower scale than ideal, activity on the money market improved quite significantly in 2016, with trade in Treasury Bills (TBs) being the main offering. Government's stock of TBs reached US$2.079 billion over the the period 2015 to 2016, amid concerns that this could crowd out private sector lending and force the Central Bank to adopt desperate measures as Treasury battles to meet its financial obligations.

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

Going forward, the trade in TBs is likely to continue to boost activity on the money market, but there still remains a need for the Central Bank to be able to perform its lender of last resort function beyond the initial US$200 million underwritten by the Africa Export and Import Bank.

1.3.5. Equities Market

In 2016, the stock market was generally bullish, reversing the losses that were experienced in 2015. Between January 2016 and December 2016 the bourse recovered US$1.218 billion in terms of market capitalisation, a figure close to the US$1.292 billion which was lost in 2015. In fact, market capitalisation rose by 44% from US$2.790 billion in January 2016 to close at US$4.008 billion by the end of December 2016. Both the mainstream industrial index and the mining index rose during the year, with the industrial index adding 40% from 99.5 in January 2016 to 144.43 in December 2016, while the resources index more than doubled as it added an impressive 200% from 19.53 in January 2016 to 58.51 in December 2016. The performance of the stock market is an economic barometer which broadly mirrors the economy's performance and, therefore, its freefall during 2015 was reflective of the subdued performance of the domestic economy during the year.

In the short-to-medium term, the performance of the ZSE will most likely remain bearish; dependent as it is on, among others, real sector performance, FDI inflows, local liquidity levels and disposable incomes, none of which has improved greatly lately.

1.3.6. Financial Sector

As at 31 December 2016, there were 18 operating banking institutions, as well as above 181 registered money lending and credit-only microfinance institutions, 4 deposit-taking microfinance institutions, and 2 development institutions under the supervision of the RBZ. In 2016 the banking sector generally remained safe and sound as reported by the RBZ, in spite of the challenging operating environment. Default risk remains the most significant challenge facing the banking sector, whilst liquidity constraints also compound the smooth operation of some banking institutions.

During the period under review, a number of financial soundness indicators, as reported by the RBZ in its 2017 Monetary Policy Statement, also improved, amongst them; Total Assets, Total Loans, Net Capital Base, Total Deposits, Net Profit, Return on Assets, Return on Equity, Capital Adequacy Ratios, Loans to Deposits and Non-Performing Loans Ratios. Moreover, the quantum of deposits held by the banking sector improved substantially relative to inflation,

Economic Overview (continued)

registering an annual growth of 19.2%, from US$4.765 billion in December 2015 to US$5.681 billion in December 2016. Credit growth in the banking sector remained subdued during 2016, with banking sector loans and advances declining from US$3.81 billion reported as at 31 December 2015 to US$3.69 billion as at 31 December 2016.

The level of non-performing loans (NPLs) declined from a September 2014 peak of 20.45% of total loans to 7.87% as at 31 December 2016. This is attributable to the combined impact of the various policy measures instituted by the RBZ and initiatives by banking institutions during the year 2016. These measures include enhanced credit management systems and collection efforts, as well as disposal of qualifying NPLs to the Zimbabwe Asset Management Company (ZAMCO), among other measures. However, in spite of the effort by most of the banks, the set NPLs target level of 5% by June 2016 was not achieved by some banking institutions.

On another note, electronic payment transactions rose significantly during the period under review. Notably, aggregated electronic transactions (or e-payments) reached US$61.7 billion in 2016 from US$56.9 billion in 2015, representing a high velocity of circulation of more than 4 times the gross domestic product (GDP) of the country. A key development was realised during 2016 when POS transaction values became greater than ATM transaction values for the first time under the multi-currency system. This is in line with the Central Bank's policy thrust towards plastic money usage. During the same period POS transaction volumes also grew by 260%.

In the short-to-medium term, bank deposits are expected to remain short-term, thus transitory in nature, partially reflecting low income levels, the inclination towards a cash economy and generally low liquidity levels. Sustained recovery of the banking sector however remains premised on recovery of the country's real sectors and general liquidity improvements in the country.

1.3.7. Public Finance

The year 2016, just like 2015, was characterised by a myriad of challenges which saw the economy registering a paltry 0.6% growth, down from the initial projection of 2.7%. The major factors behind the decline in 2016 were falling commodity prices, reduction in production capacity across the board (in agriculture, mining, tourism, construction and the service sectors, among others). However, according to the results of the Confederation of Zimbabwe's (CZI) 2016 Manufacturing Sector Survey, the manufacturing industry's capacity utilisation increased significantly from 34.3% in 2015 to 47.4%. The survey attributed the increase in production levels to SI 64 of 2016 for companies whose products are protected by the Instrument. However, the use of the strong US dollar makes Zimbabwe's both local production and exports uncompetitive, and this exacerbates the trade deficit which, however, came down by over 20% but still remains unsustainably high.

As a result of the above and in the absence of any significant Foreign Direct Investment (FDI) inflows, the economy once again endured low investment levels, declining levels of employment and low income levels. Consequently, aggregate demand for goods and services continued to fall and this had an adverse impact on all tax heads during the year, particularly during the Fourth Quarter of 2016. Annual gross collections amounted to US$3.462 billion, which was 96% of the targeted US$3.607 billion. The 2016 target was, therefore, missed by 4%. Net collections amounted to US$3.248 billion but were 8.95% below the target. Overall, in terms of the revenue mix, the revenue for 2016 comprised Individual Tax [22.68%], Excise Duty [19.71%], Net Value Added Tax (VAT) on Local Sales [18.51%], Company Tax [10.49%] and Customs Duty [8.39%].

In the outlook, Government's revenue target is US$3.7 billion, of which US$3,398.3 billion is expected to be earned from taxes. Going forward, revenues will continue to be suppressed owing to the continued subdued performance of the economy, as a result of the afore-mentioned economic challenges.

1.4 EXTERNAL SECTOR

Over the period January to December 2016, merchandise exports decreased by 6.9%, from US$3,614.2 million realised in 2015 to US$3,365.8 million during the corresponding period in 2016. Similarly, merchandise imports for the period January to December 2016 at US$5,350.9 million, declined by 11.7% from US$6,062.3 million realised over the comparative period in 2015. Export performance was mainly driven by increases in the volume of gold exports attributable to the

Economic Overview (continued)

export incentive being paid to gold producers by the RBZ and the positive effect of the Gold Monitoring Committee. On the other hand, a combination of foreign currency management measures, announced by the RBZ in May 2016, and import management measures by the Ministry of Industry and Trade, as well as the effect of a stronger U.S. dollar on the country's terms of trade, largely explains the decline in the import bill in 2016.

In 2016, food imports (maize and wheat), however, surged owing to the El Nino induced drought that destroyed crops in the Southern African region, including Zimbabwe. Continued reliance on imports of finished goods is unsustainable as it undermines current efforts to resuscitate domestic industrial production, leading to significant trade and current account deficits.

Driven by merchandise trade developments, the current account deficit is estimated to have narrowed down by about 15.5%, from a deficit of US$1,519.4 million in 2015, to a deficit of US$1,283.9 million in 2016, partly on account of the decline in the import bill.

Remittances, one of the major sources of import financing, declined by 17.9% from US$1,917.7 million received in 2015 to US$1,574.0 million in 2016. Of the total amount received in 2016, US$779.0 million reflects remittances from the Diaspora while remittances from International Organizations (NGOs) amounted to US$795.0 million.

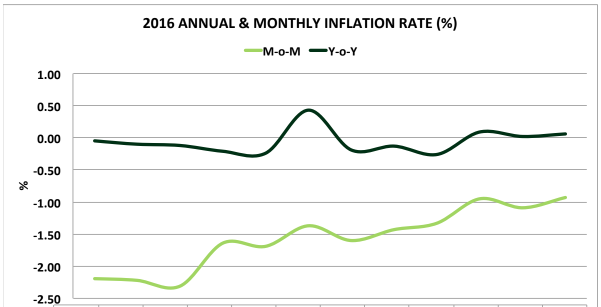
The overall Balance of Payment deficit for 2016 was estimated at US$186.4 million up from US$25.8 million. Going forward, the export sector performance will be largely determined by, among others, international commodity prices, local production, competitiveness of local products, US Dollar exchange rate movements, especially against currencies of the country's major trading partners.

ECONOMIC OUTLOOK

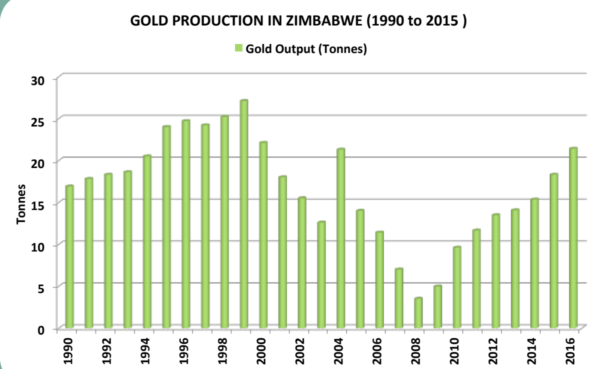
In the outlook, issues pertaining to policy inconsistencies and lack of policy clarity need to be rectified if the country is to achieve the required economic growth momentum, FDI inflows, employment levels, favourable balance of payments, investor confidence and improved savings, among others. More importantly, aggressive implementation of the Zimbabwe Agenda for Socio-Economic Transformation (ZIMASSET) is required, as the timeframes set therein are fast running out.

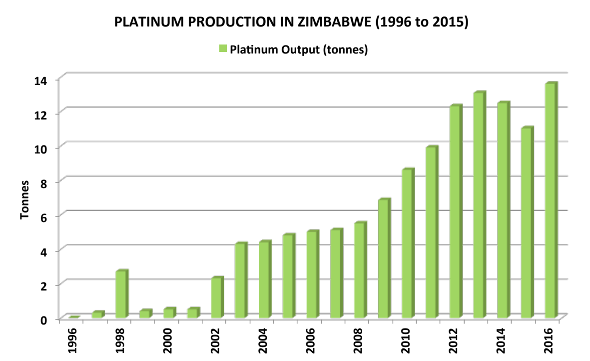
Economic Overview (continued)

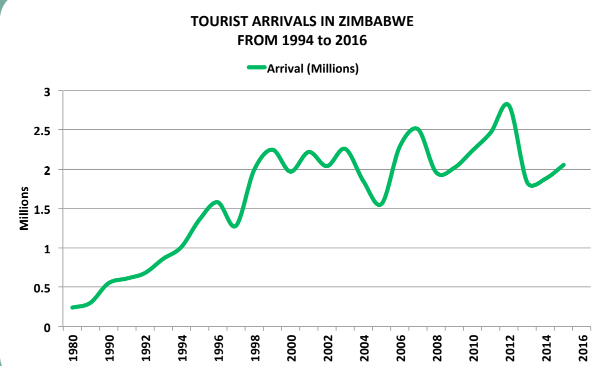
Graphs

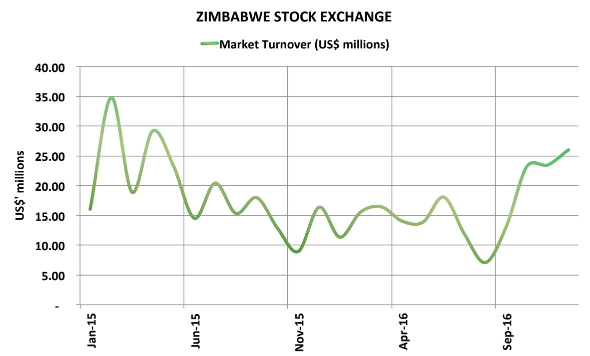


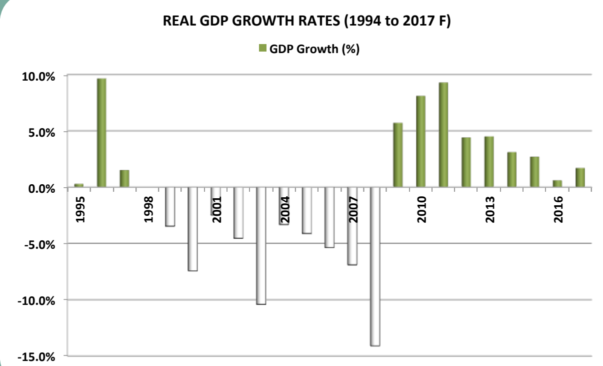
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
M-o-M	-2.19	-2.22	-2.31	-1.64	-1.69	-1.37	-1.6	-1.43	-1.33	-0.95	-1.09	-0.93
Y-o-Y	-0.05	-0.10	-0.12	-0.21	-0.24	0.43	-0.19	-0.13	-0.26	0.09	0.02	0.06

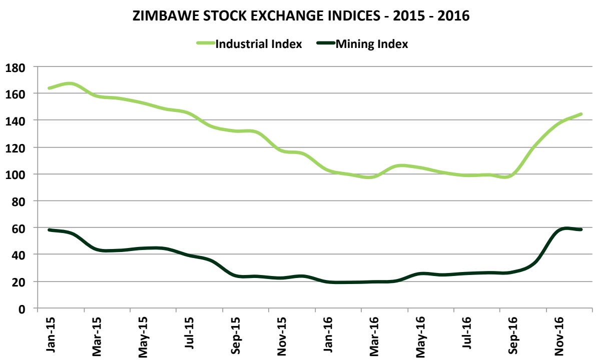


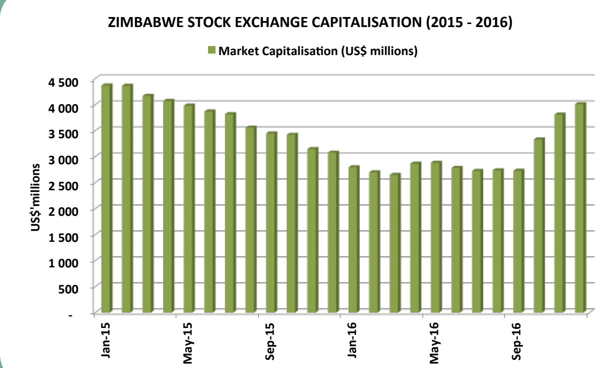




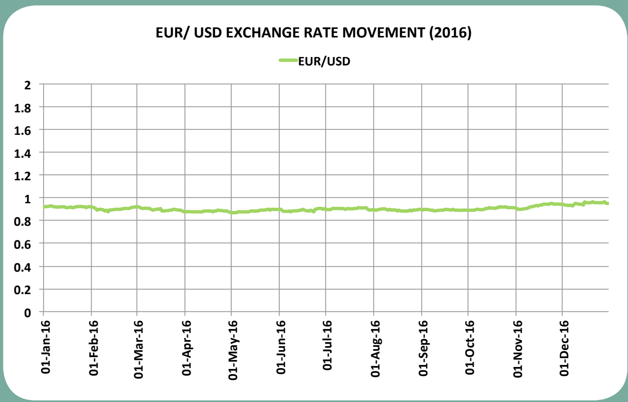


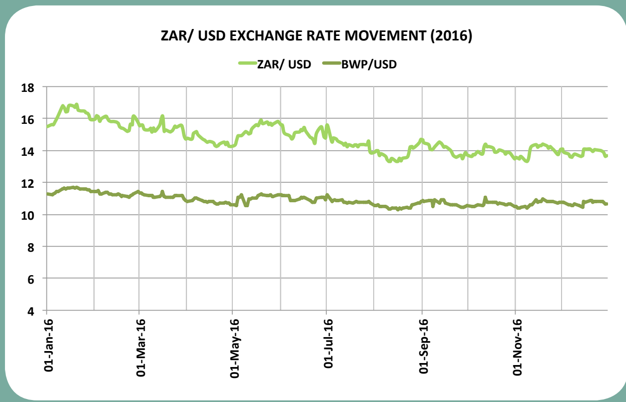


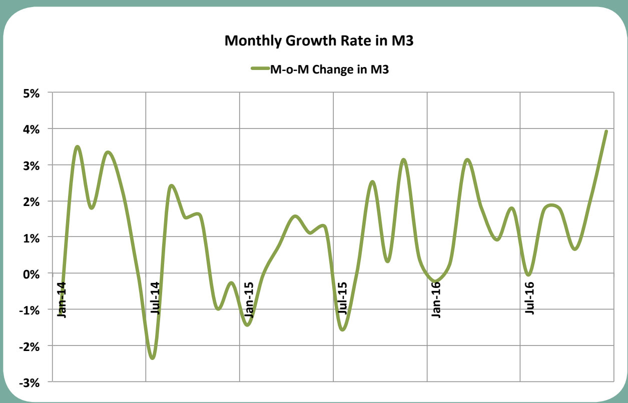


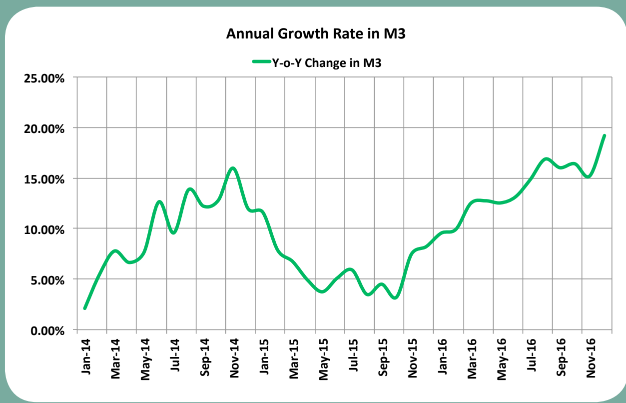


Economic Overview (continued)









CONTENTS

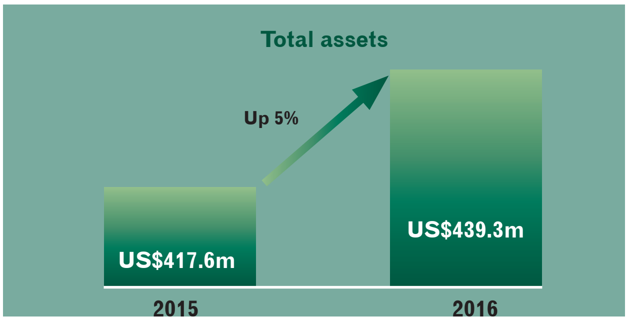
Financial Statements

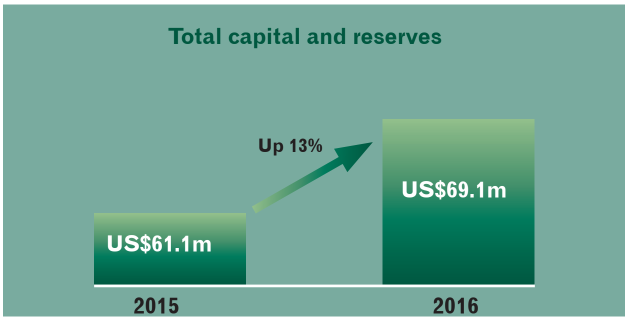
Six Year Financial Review
For the year ended 31 December 2016

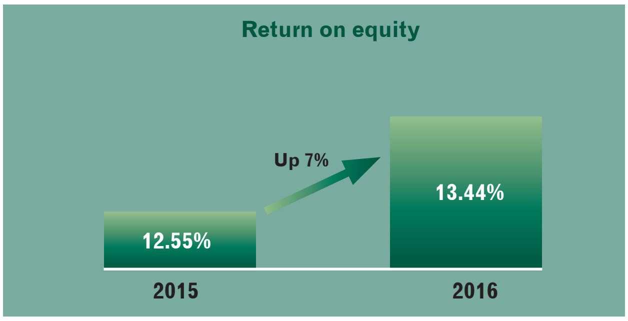
in US$	2016	Restated 2015	Restated 2014	Restated 2013	Restated 2012	Restated 2011
Income Statement						
Total income	65 069 820	57 994 664	57 261 655	59 850 062	68 962 093	62 942 188
Specific and portfolio risk provision	771 021	(2 933 841)	7 702 696	1 734 701	1 750 174	3 115 231
Net income after tax	11 430 911	9 356 462	(9 806 816)	(326 656)	10 859 001	7 029 667
Attributable income	9 947 438	8 986 539	(10 261 724)	2 846 228	8 988 464	5 800 787
Balance Sheet						
Issued share capital	1 751 906	1 751 906	1 751 906	1 751 906	1 751 883	1 751 883
Shareholders' funds	69 146 210	61 109 139	49 083 988	63 562 979	60 879 398	45 810 739
Total equity	89 433 498	80 671 038	68 450 727	77 868 544	78 668 964	52 741 284
Deposits and other accounts	275 272 254	269 697 449	243 818 336	218 615 988	216 727 944	169 179 024
Cash and short term funds	82 193 499	55 789 139	82 586 310	69 160 246	69 726 565	51 954 400
Advances and other accounts	99 193 658	99 578 547	143 866 639	131 739 306	133 114 967	117 857 764
Risk provisions	6 684 196	9 153 069	3 735 495	4 128 278	6 100 941	4 350 193
Total assets	439 292 796	417 625 071	416 073 425	348 440 727	345 414 590	270 864 449
Statistics						
Number of shares at year end (net of treasury shares)	157 522 902	157 522 902	157 522 902	158 345 488	158 956 499	160 132 437
Weighted average number of shares (000)	157 522 902	157 522 902	157 522 902	158 345 488	158 956 499	162 809 877
Earnings per share (cents)	0.06315	0.05705	(0.0590)	0.0160	0.0565	0.0356
Net book asset value per share (cents)	56.77	51.21	43.45	49.18	49.49	32.39
Share price at year end (cents)	3.5	3.5	3.00	11.10	8.00	20.00
Number of employees at year end	922	923	1 042	1 005	1 029	1 419
Ratios (%)						
Return on average shareholders' funds	13.44%	12.55%	-13.40%	-0.42%	16.85%	14.01%
Return on average assets	2.32%	2.16%	-2.68%	0.82%	2.92%	2.47%
Non interest income to total income	73%	76%	79%	67%	69%	68%
Operating expenses to total income	76%	80%	99%	97%	87%	81%

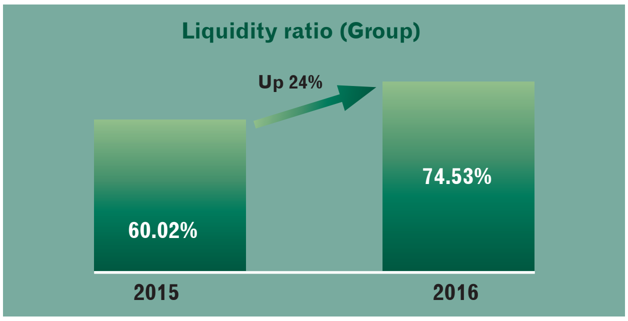
Financial Highlights

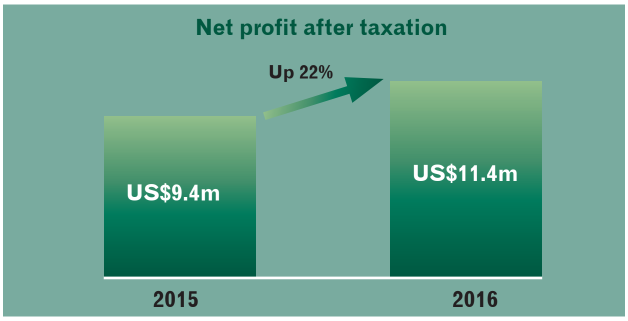
For the year ended 31 December 2016

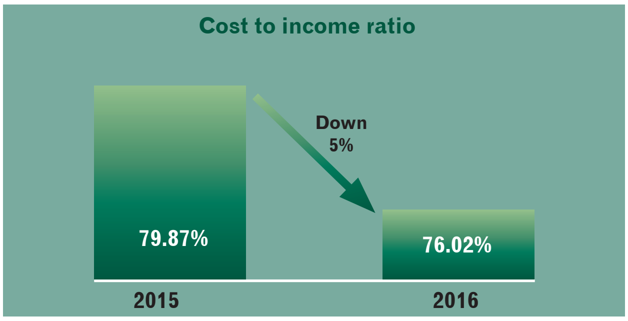












Report of the Directors

For the year ended 31 December 2016

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2016.

Share capital

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

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

The agreement between THL and Government envisages that THL will accept the 6.21% shareholding, offered to THL in 2007 for its 15.61% shareholding in Intermarket Holdings Limited (IHL) as a sequel to the IHL Group of companies' scheme of arrangement in which the final effect was an offer of shareholding in the ZBFH in exchange for shares previously held in IHL. Therefore, THL is expected to end up controlling 26% of the issued share capital in the ZBFH after the transaction envisaged by the agreement has been fully consummated.

Processes to conclude the transactions have reached an advanced stage and it is expected that these would be completed before the end of the first quarter of 2017.

Conclusion of the THL transaction will leave two other parties with a possible entitlement to 0.32% of the current issued share capital of the ZBFH, assuming they too agree to have their shareholding uplifted from the IHL level to the ZBFH's register.

The allotment of shares to THL and the other two potential shareholders in the Company will necessitate the issuance of new shares in the Company with a dilutive effect as was anticipated in the Company's circular to shareholders dated 9 February 2007 and shareholder resolutions carried at the Company's Extraordinary General meeting held on 2 March 2007. Approvals will be sought before its issuance of any new shares in ZBFH.

It is further envisaged that full implementation of the agreement between THL and the Government will lead to the withdrawal of the appeal still pending at the Supreme Court of Zimbabwe, in which THL is challenging the acquisition by the Company of a controlling interest in IHL.

Report of the Directors (continued)

For the year ended 31 December 2016

Directorate

Pursuant to the transaction above, the Board was restructured with the following changes taking place:

Board resignations:

Mr T P B Mpofu	-	6 October 2016
Ms T I Chirisa	-	6 October 2016
Mr E Munemo	-	9 October 2016
Mr E Hamandishe	-	19 October 2016

New appointments:

Mr M Mahachi	-	5 August 2016
Prof. Z Muranda	-	5 August 2016
Mr N M Vingirai	-	5 August 2016
Mr O Matizanadzo	-	8 December 2016
Dr J D G Nhavira	-	8 December 2016
Mr S Bvurere	-	17 February 2017
Prof. C Manyeruke	-	17 March 2017
Mr R Mbaiwa	-	17 March 2017

Mr P B Nyoni who joined the Board on 29 February 2016 and Mr O Akerele who joined on 13 May 2016 remained board members.

In terms of Article 61 of the Company's Articles of Association, all new appointees will retire at the forthcoming members' meeting, and being eligible, offer themselves for election.

Financial results

The Group posted a profit for the year amounting to US$11 430 911 (2015: profit of US$9 356 462), with a profit of US$9 947 438 (2015: profit of US$8 986 539) being attributable to the equity holders of the parent company.

The net decrease in equity arising from other comprehensive income amounted to US$294 301 (2015: net increase in equity US$2 899 445).

Total assets as at 31 December 2016 amounted to US$439 292 796 (31 December 2015: US$417 625 071).

Dividends

The Board of directors has recommended a dividend equivalent to 1.26 cents per share for the year ended 31 December 2016.

Report of the Directors (continued)

For the year ended 31 December 2016

Going concern

The directors have assessed the sustainability of business operations within the Group and have no reason to believe that the Group will not be a going concern for the foreseeable future. This belief is strengthened by the strategic re-orientation currently underway and the recent removal of the Company and its subsidiaries from the listing of Specially Designated Nationals (SDNs) maintained by the Office of Foreign Assets Control (OFAC) of the United States of America's Treasury Department. The going concern basis has, therefore, been adopted for the preparation of these financial statements.

Auditors

Shareholders will be requested to re-appoint Messrs Deloitte & Touche (Zimbabwe) as the Group's Auditor in 2017 and approve their remuneration for the year ended 31 December 2016.

By order of Board

P B Nyoni	R Mutandagayi	C T Kathemba
(Acting Chairman)	(Group Chief Executive)	(Company Secretary)

Harare

2 March 2017

BOARD OF DIRECTORS

Mr O Matizanadzo (Chairman)
Mr R Mutandagayi (Group Chief Executive)
Mr F Kapanje (Group Finance Director)
Mr O Akerele
Mr S Bvurere
Mr M Mahachi
Prof. C Manyeruke
Mr R Mbaiwa
Prof. Z Muranda
Dr J D G Nhavira
Mr P B Nyoni
Mr N M Vingirai

Directors' Statement of Responsibility

For the year ended 31 December 2016

The directors of the Group take full responsibility for the preparation and the integrity of the consolidated and separate annual financial statements and financial information included in this report. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Society Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant statutory instruments (SI33/99 and SI62/96).

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

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

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

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

The consolidated and separate annual financial statements of ZB Financial Holdings Limited, which appear on pages 54 to 156, were approved by the Board on 2 March 2017.

The Group's independent external auditor, Deloitte & Touche (Zimbabwe), has audited the financial statements and its report is attached to these financial statements on pages 47 to 53.

Preparer of financial statements

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

....

F Kapanje CA (Z)

Registered Public Accountant number 2295

....	....	....
P B Nyoni	R Mutandagayi	C T Kathemba
(Acting Chairman)	(Group Chief Executive)	(Group Secretary)

HARARE

02 March 2017

Extract from the Report of the Independent Actuary

For the year ended 31 December 2016

INDEPENDENT ACTUARIES & CONSULTANTS

INSURANCE ACT 1987 (Sections 24 and 30)

INSURANCE REGULATIONS, 1989 (Sections 3 and 8)

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

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

ZB LIFE ASSURANCE LIMITED

AT 31 DECEMBER 2016

exceeds the amount of the liabilities in respect of those classes of insurance business by US$ 15 843 424.

I wish to note the following:

- The reported excess assets mainly relates to the accounting basis ZB Life Assurance Limited adopted for investments in associate entities.
- I understand that Bond Notes are officially exchangeable on a one-to-one basis with the US dollar, and assumed this position as at 31 December 2016.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
24 February 2017

www.iac.co.za

Head Office| 6th Floor, Wale Str Chambers, 38 Wale Str, Cape Town
Gauteng Office| Bridle Close, Woodmead Office Park, Woodmead
TEL | +27 21 422 4373 | +27 11 656 4170
FAX | +27 21 422 4378 | +27 11 656 4171

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

Extract from the Report of the Independent Actuary (continued)

For the year ended 31 December 2016

INDEPENDENT ACTUARIES & CONSULTANTS

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2016

I certify that the actuarial liabilities of ZB Life Assurance Limited at 31 December 2016 were as follows:

Type of Business	**US$**
Life Assurance Business	6 171 634
Retirement Annuity Pensions, Group Pensions, Immediate and Deferred Annuities	22 078 262
Total	28 249 896

I understand that Bond Notes are officially exchangeable on a one-to-one basis with the US dollar, and assumed this position as at 31 December 2016.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
24 February 2017

www.iac.co.za

Head Office| 6th Floor, Wale Str Chambers, 38 Wale Str, Cape Town
Gauteng Office| Bridle Close, Woodmead Office Park, Woodmead
TEL | +27 21 422 4373 | +27 11 656 4170
FAX | +27 21 422 4378 | +27 11 656 4171

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

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ZB Financial Holdings Limited
For the year ended 31 December 2016

Opinion

We have audited the consolidated and separate financial statements of ZB Financial Holdings Limited and its subsidiaries ("the Group") set out on pages 54 to 156, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant statutory instruments (SI33/99 and SI62/96).

Basis for Opinion

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

EMPHASIS OF MATTER

Classification and valuation of the capitalisation treasury bills

The Government of Zimbabwe advanced a ten-year $20 million zero-percent interest loan to ZB Financial Holdings Limited by way of treasury bills in 2015. These treasury bills ("capitalization treasury bills") were in turn used to recapitalize the entity's banking subsidiary, ZB Bank Limited, as described in more detail in note 2.3. The Bank issued 20 000 000 shares to ZB Financial Holdings Limited during the year at a par value of $0.01 per share pursuant to a rights issue.

Independent Auditor's Report (continued)

For the year ended 31 December 2016

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

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

All disclosures relating to the capitalization treasury bills have been included in notes 2.3 and 7.3.

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

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

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

Key Audit Matters

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

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

Independent Auditor's Report (continued)

For the year ended 31 December 2016

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition and the automated nature of interest calculations	
International Standards on Auditing "ISA" 240 requires that it be presumed that there are risks of material misstatement due to fraud related to revenue recognition. The standard further requires that these risks be treated as significant. The Group suspends interest on non-performing loans. Given that judgement is required in determining whether or not it is probable that interest on impaired financial instruments will be received by the Group, the treatment of interest on impaired financial instruments was determined to be a key audit matter. In addition, income from interest enhancing mechanisms should be amortised over the tenure of the loan facilities and considering the quantum of loans issued and the inherent risk associated with automation of interest calculations, the accounting for these revenue streams by the Group has also been identified as a key audit matter. The revenue recognition policy is disclosed in note 3.3 to the financial statements and the revenue balance (made up of interest and non-interest income) is disclosed in notes 24 to 27.	Our audit procedures incorporated a combination of tests of the Group's internal controls with respect to revenue recognition and the use of information technology specialists in the re-computation of interest and non-interest income. Our procedures included the following: • Making enquiries of those charged with governance regarding the policies in place in recognising revenues. • Obtaining an understanding of the internal control environment. This involved obtaining evidence about the design and implementation and their operating effectiveness of the controls with respect to revenue. • Performing detailed substantive testing of journal entries processed related to revenue to ensure that these journals were appropriately authorised, complete and accurate. • Our information technology specialists evaluated access controls, controls related to system software acquisition, system change and maintenance, application system acquisition, system development and maintenance, and program change controls. • Our data analytic specialists performed re-computations of interest and non-interest income and compared the results to recorded amounts. • We confirmed that the related interest enhancing mechanisms, such as loan origination or establishment fees were appropriately recognised over the tenure of the facility from which they arose. We obtained reasonable assurance that revenue was appropriately accounted for and disclosed in the financial statements.

Independent Auditor's Report (continued)

For the year ended 31 December 2016

Key Audit Matter	How our audit addressed the key audit matter
Impairment of loans and advances	
The impairment provision against loans and advances at 31 December 2016 amounts to US$6.68 million. In deriving this balance, significant judgement was required by the Directors in establishing adequate impairment provisions against loans and advances, which are determined with reference to the repayment capacity of the obligor, quality and condition of security offered as part of the loan arrangement, customer payment history and financial position of the customer. Because of the significance of the impairment balance, and the fact that it is subject to significant estimation and subjective judgement, we have considered impairment of loans and advances to be a key audit matter. The impairment of loans and advances has been disclosed in note 8.5.	a) IAS 39 provisions In evaluating the adequacy of impairment provisions against loans and advances, we reviewed the calculations of present value of future cash flows prepared by management for specific impairment in accordance with guidance from IAS 39 provisioning, with a particular focus on the timing of cash flows, discount rates used and support for projected cash flows. We employed various audit procedures, including the following: • Obtained evidence in respect of key controls over the models and manual processes for impairment events identification and collateral valuation. • Tested the reasonableness of future cash flows expected from customers. • Tested the reasonableness of discount rates used in the calculation of present values of future cash flows relating to customers' forecasts or asset disposals in potential liquidation cases. • Recalculated the present value of future cash flows from customers and compared with management's calculation. • Tested the valuation of security pledged by customers for loan balances by comparing security values to recent market transactions or recent valuations of similar properties in similar locations. • Assessed the adequacy of the provisions for potential loss in the good loan book by determining the probability of default through trend analysis with respect to the downgrading of loans and advances. • Recalculated the impairment provision raised and compared it with amounts recorded by management. • Obtained audit evidence of management judgements with particular focus on the consistency of the methodology including challenging these assumptions and processes based on our industry knowledge and experience. • Assessed key loan provisioning assumptions against industry standards and historical data.

Independent Auditor's Report (continued)

For the year ended 31 December 2016

Key Audit Matter	How our audit addressed the key audit matter
Impairment of loans and advances (continued)	
	b) Regulatory provisions • In evaluating the minimum regulatory impairment provisions, we selected material loans and advances and tested the accuracy of the classification of these into various credit quality grades as prescribed by the Reserve Bank of Zimbabwe (RBZ) regulatory provisioning guidelines. • We performed independent recalculations of the impairment provisions for these respective credit quality grades and compared them with management estimates. • We reviewed the consistency of rates used to determine the regulatory impairment provision to the RBZ Supervisory Rating System (SRS). The individual loans and advances for portfolio impairment were classified in accordance with the RBZ's SRS framework. Our overall conclusion was that the levels of impairment provisions determined by management were reasonable.
Adequacy of insurance provisions – incurred but not reported (IBNR) provision, life assurance liabilities and the expense overrun reserve (EOR)	
As disclosed in notes 17 and 21, the following were insurance expense and claim provisions recognized by the Group at 31 December 2016: • identified not yet reported (IBNR) provisions – US$1.8 million; • life assurance liabilities – US$0.5 million; and • expense overrun reserve (EOR) – US$nil million The determination of these insurance provisions is a process that makes use of significant qualitative and quantitative judgements and estimates in respect of insurance products offered by the Group, and is thus highly susceptible to estimation uncertainty and, consequently, manipulation. Because of the inherent susceptibility of these insurance provisions to estimation uncertainty, we have considered the insurance provisions to be a key audit matter.	In responding to the complexities of the identified matter, we performed the following: • Established the assumptions with respect to the determination of the provisions made in the current and prior financial years, and assessed these for consistency and reasonableness. • Assessed the prior year provisions against the results of claims reported in the current year that related to the prior financial year provisions, as a way of assessing the insurance provisioning methods in general, and the prior year insurance provisions in particular, for reasonableness or bias. • Made enquiries of the ZB Reinsurance's statutory actuary to understand the methodology and inputs used in determining the insurance provisions. • Engaged our actuarial and insurance solutions experts to independently assess the reasonableness of the current year insurance provisions as determined by the Group's statutory actuary. We considered the insurance provision calculations to be reasonable.

Independent Auditor's Report (continued)

For the year ended 31 December 2016

Other Information

The directors are responsible for the other information. The other information comprises such information as the Chairman's statement, Chief Executive Officer's report, other explanatory information (excluding audited amounts and schedules) contained in the risk management and the corporate governance report; which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant statutory instruments (SI33/99 and SI62/96); and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Independent Auditor's Report (continued)

For the year ended 31 December 2016

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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

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

Report on legal and regulatory requirements

In our opinion, these financial statements have been prepared in accordance with the disclosure requirements of the requirements of the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant statutory instruments (SI33/99 and SI62/96).

Deloitte & Touche

Deloitte & Touche
Per: Brian Mabiza
Partner
(PAAB Practice Certificate Number 0447)
Deloitte & Touche Chartered Accountants (Zimbabwe)
02 March 2017

Consolidated Statement of Financial Position

As at 31 December 2016

		31 Dec 2016 US$	Restated 31 Dec 2015 US$
ASSETS			
Cash and cash equivalents	5	82 193 499	55 789 139
Money market investments	6	5 519 513	11 093 782
Treasury bills	7	118 633 706	100 571 625
Mortgages and other advances	8	99 193 658	99 578 547
Investment securities	9	20 398 857	18 407 802
Investments in associates	10.1	35 231 971	36 701 892
Inventories, trade and other receivables	11	9 800 224	25 300 775
Investment properties	12	26 728 848	14 996 099
Property and equipment	13	32 257 043	44 243 798
Intangible assets	14	8 197 577	9 641 612
Non current assets held for sale	15	1 137 900	1 300 000
Total assets		439 292 796	417 625 071
LIABILITIES			
Deposits and other accounts	16	275 272 254	269 697 449
Amounts due to other banks		3 135 361	606 211
Trade and other payables	17	27 338 760	23 980 122
Current tax liabilities	18	132 109	453 884
Deferred tax liabilities	19	2 194 131	1 551 644
Long term borrowings	20	13 536 787	12 892 177
Life assurance funds	21	28 249 896	27 772 546
Total liabilities		349 859 298	336 954 033
EQUITY			
Share capital	22.1	1 751 906	1 751 906
Share premium	22.2	27 081 696	27 081 696
Other components of equity	22.3	21 903 322	28 069 978
Retained income	22.4	18 409 286	4 205 559
Attributable to equity holders of parent		69 146 210	61 109 139
Non-controlling interests	22.5	20 287 288	19 561 899
Total equity		89 433 498	80 671 038
Total equity and liabilities		439 292 796	417 625 071

Approved by the Board and signed on its behalf by:

P B Nyoni
(Acting Chairman)
02 March 2017

R Mutandagayi
(Group Chief Executive)

C. T. Kathemba
(Group Secretary)

Company Statement of Financial Position

As at 31 December 2016

	Notes	31 Dec 2016 US$	Restated 31 Dec 2015 US$
ASSETS			
Cash and cash equivalents	5	1 237 506	-
Investment securities	9	3 904 486	15 697 371
Investments in associates	10.1	1 988 245	825 139
Investments in subsidiaries	10.2	85 906 196	77 394 865
Inventories, trade and other receivables	11	6 224 591	5 645 302
Investment properties	12	344 000	342 000
Property and equipment	13	520 826	631 048
Intangible assets	14	68 740	92 083
Deferred tax asset	19	1 625 949	2 164 485
Total assets		101 820 539	102 792 293
LIABILITIES			
Deposits and other accounts	16	2 770 456	15 037 638
Trade and other payables	17	18 241 901	14 172 241
Short term borrowings	5	-	1 455 911
Long term borrowings	20	13 536 787	12 892 177
Total liabilities		34 549 144	43 557 967
EQUITY			
Share capital	22.1	1 751 906	1 751 906
Share premium	22.2	27 081 696	27 081 696
Retained income	22.4	38 437 793	30 400 724
Total equity		67 271 395	59 234 326
Total equity and liabilities		101 820 539	102 792 293

Approved by the Board and signed on its behalf by:

....
P B Nyoni
(Acting Chairman)
02 March 2017

....
R. Mutandagayi
(Group Chief Executive)

....
C. T. Kathemba
(Group Secretary)

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

		COMPANY		GROUP	
	Notes	2016 US$	Restated 2015 US$	2016 US$	Restated 2015 US$
Interest and related income	24.1	-	-	27 586 426	28 486 060
Interest and related expenses	24.2	-	-	(10 850 195)	(11 737 778)
Net interest and related income		-	-	16 736 231	16 748 282
Net recoveries / (loan impairment charges)	8.6	-	-	771 021	(2 933 841)
Net income from lending activities		-	-	17 507 252	13 814 441
Gross insurance premium income	25.1	-	-	29 849 786	31 007 492
Total insurance expenses	25.2	-	-	(21 054 138)	(22 525 382)
Net insurance premium income		-	-	8 795 648	8 482 110
Other operating income	26	10 383 221	10 098 358	38 527 107	38 370 046
Fair value adjustments	27	8 692 382	8 893 062	239 813	(2 671 933)
Total income		19 075 603	18 991 420	65 069 820	57 994 664
Operating expenses	28	(8 688 545)	(8 694 046)	(49 464 015)	(46 321 502)
Profit from ordinary activities		10 387 058	10 297 374	15 605 805	11 673 162
Movement in life assurance funds	21	-	-	(477 350)	765 968
Share of associate companies' profit / (losses) net of tax	10.1	330 108	486 229	(2 302 919)	(1 769 220)
Profit before taxation		10 717 166	10 783 603	12 825 536	10 669 910
Income tax (expense) / credit	29	(538 536)	1 196 565	(1 394 625)	(1 313 448)
Net profit for the year		10 178 630	11 980 168	11 430 911	9 356 462
Profit attributable to:					
Owners of parent		10 178 630	11 980 168	9 947 438	8 986 539
Non-controlling interests		-	-	1 483 473	369 923
Profit for the year		10 178 630	11 980 168	11 430 911	9 356 462

Statements of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2016

		COMPANY		GROUP	
	Notes	2016 US$	Restated 2015 US$	2016 US$	Restated 2015 US$
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Losses on property revaluation	22.3.2	-	-	(509 193)	(957 345)
Fair value adjustment on available for sale financial assets		-	-	256 979	5 137 235
Income tax relating to components of other comprehensive income	22.6	-	-	(42 087)	(1 280 445)
Other comprehensive income for the year net of tax		-	-	(294 301)	2 899 445
Total comprehensive income for the year		10 178 630	11 980 168	11 136 610	12 255 907
Total comprehensive income attributable to:					
Owners of parent		10 178 630	11 980 168	10 178 632	11 934 264
Non-controlling interests		-	-	957 978	321 643
Total comprehensive income for the year		10 178 630	11 980 168	11 136 610	12 255 907
Earnings per share					
Basic and fully diluted earnings per share (US cents)	30	6.46	7.61	6.32	5.71

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Share capital US$	Share premium US$	General reserve US$	Property and equipment revaluation reserve US$	Available for sale financial assets US$	Retained income US$	Attributable to equity holders of parent US$	Non controlling interests US$	Total US$
Balance at 1 January 2015	1 751 906	27 081 696	22 380 522	14 432 643	-	(16 562 779)	49 083 988	19 366 739	68 450 727
Changes in equity for 2015									
Profit or loss									
Profit for the year	-	-	-	-	-	8 986 539	8 986 539	369 923	9 356 462
Profit for the year as previously reported	-	-	-	-	-	8 566 035	8 566 035	369 923	8 935 958
Prior year adjustments (note 22.4)	-	-	-	-	-	420 504	420 504	-	420 504
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	(866 672)	-	-	(866 672)	(48 280)	(914 952)
Fair value adjustment on available for sale financial assets	-	-	-	-	3 814 397	-	3 814 397	-	3 814 397
As previously reported	-	-	-	-	5 137 235	-	5 137 235	-	5 137 235
Prior year adjustments (note 22.3.3)	-	-	-	-	(1 322 838)	-	(1 322 838)	-	(1 322 838)
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	-	-	(35 596)	(35 596)
Other movements									
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(11 137 396)	-	-	11 137 396	-	-	-
Transfer to retained income	-	-	(486 472)	(67 044)	-	644 403	90 887	(90 887)	-
Restated balance at 31 December 2015	1 751 906	27 081 696	10 756 654	13 498 927	3 814 397	4 205 559	61 109 139	19 561 899	80 671 038
Changes in equity for 2016									
Profit or loss									
Profit for the year	-	-	-	-	-	9 947 438	9 947 438	1 483 473	11 430 911
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	(475 842)	-	-	(475 842)	(9 266)	(485 108)
Fair value gain on available for sale financial assets	-	-	-	-	190 807	-	190 807	-	190 807
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(2 141 561)	(2 141 561)	(232 589)	(2 374 150)
Other movements									
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(5 146 082)	-	-	5 146 082	-	-	-
Transfer to retained income	-	-	-	(735 539)	-	1 251 768	516 229	(516 229)	-
Balance at 31 December 2016	1 751 906	27 081 696	5 610 572	12 287 546	4 005 204	18 409 286	69 146 210	20 287 288	89 433 498

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Ordinary shares US$	Share premium US$	Accumulated profit US$	Total US$
Balance at 1 January 2015	1 751 906	27 081 696	18 420 556	47 254 158
Changes in equity for 2015				
Profit or loss				
Profit for the year	-	-	11 980 168	11 980 168
- as previously reported	-	-	12 882 502	12 882 502
- prior year adjustments (note 22.4)	-	-	(902 334)	(902 334)
Restated balance at 31 December 2015	1 751 906	27 081 696	30 400 724	59 234 326
Changes in equity for 2016:				
Profit or loss				
Profit for the year	-	-	10 178 630	10 178 630
Transactions with owners of the parent				
Distributions				
Dividends paid	-	-	(2 141 561)	(2 141 561)
Balance at 31 December 2016	1 751 906	27 081 696	38 437 793	67 271 395

Statements of Cash Flows

For the year ended 31 December 2016

	Notes	COMPANY 2016 US$	COMPANY Restated 2015 US$	GROUP 2016 US$	GROUP Restated 2015 US$
Cash (used in) / generated from operating activities	31	(8 044 923)	(3 929 198)	18 819 310	(33 345 285)
Interest and related income received		-	-	27 586 426	28 486 060
Dividends received		1 774 131	3 790	684 174	332 888
Interest and related expense paid		-	-	(10 850 195)	(11 737 778)
Income tax paid		-	-	(1 116 000)	(753 232)
Net cash (used in) / generated from operating activities		(6 270 792)	(3 925 408)	35 123 715	(17 017 347)
Cash flows from investing activities					
Purchase of investment property		-	-	(922 713)	-
Proceeds on disposal of investment property		-	-	-	140 000
Purchase of intangible assets		-	-	(1 502 848)	(2 967 936)
Purchase of property and equipment		(33 168)	(166 686)	(1 912 493)	(3 213 057)
Proceeds on disposal of property and equipment		-	70 813	50 564	133 158
Proceeds on disposal of intangible assets		-	441	-	-
Purchase of investment securities		(305 135)	(4 773 611)	(2 686 810)	(4 213 412)
Proceeds on disposal of investment securities		12 277 071	5 002 294	1 910 093	129 880
Additions of investment in associate		(832 998)	-	(832 998)	-
Net cash generated from / (used in) investing activities		11 105 770	133 251	(5 897 205)	(9 991 367)
Cash flows from financing activities					
Dividends paid		(2 141 561)	-	(2 374 150)	(35 596)
Net cash used in financing activities		(2 141 561)	-	(2 374 150)	(35 596)
Net increase / (decrease) in cash and cash equivalents		2 693 417	(3 792 157)	26 852 360	(27 044 310)
Cash and cash equivalents at beginning of year		(1 455 911)	2 336 246	55 789 139	82 586 310
Effects of exchange rates fluctuating on cash and cash equivalents		-	-	(448 000)	247 139
Cash and cash equivalents at end of year	5	1 237 506	(1 455 911)	82 193 499	55 789 139
Cash and cash equivalents comprise:					
Cash / (bank overdraft)		1 237 506	(1 455 911)	5 557 499	21 043 835
Local bank accounts		-	-	74 143 738	31 614 786
Foreign bank accounts		-	-	2 492 262	3 130 518
	5	1 237 506	(1 455 911)	82 193 499	55 789 139

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

1. NATURE OF BUSINESS

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

The Company is registered under registration number 1278/89.

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

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

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

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

New standard	Effective date	Major requirements
Amendments to IAS *27 Equity Method in Separate Financial Statements*	1 Jan 2016	The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: at cost, in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. The same accounting must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs. The Group early-adopted this amendment with the result that its investment in Mashonaland Holdings Limited (Mash), a Zimbabwe Stock Exchange listed company which is jointly owned between the life fund and equity holders, was equity accounted for in terms IAS 27:10c at both the life company and in the consolidated financial statements of the Group.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

New standard	Effective date	Major requirements
		Previously, the investment was held at market price in the separate accounts of the life company and the holding company for the portion of investment held thereat. Only the proprietary portion of the shareholding was equity accounted for in the consolidated financial statements for the Group. The Directors believe that the new accounting method captures fairly the true value of the investment in addition to removing the volatility in the reported financial outturn for the separate entities as well as at the Group level.

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

New standard	Effective date	Major requirements
Amendments to IAS 16 and IAS *38 Clarification of Acceptable Methods of Depreciation and Amortisation*	1 Jan 2016	The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: when the intangible asset is expressed as a measure of revenue; or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016	The amendments require IFRS 3 Business Combinations accounting to be applied to acquisitions of interests in a joint operation that constitutes a business to the extent of its share. The amendments also clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be re-measured if the joint operator retains joint control.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

2.1.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued).

New standard	Effective date	Major requirements
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016	A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The amendments apply prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3).
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 Jan 2016	The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

2.1.2 *New and revised IFRSs applied with no material effect on the consolidated financial statements (continued).*

New standard	Effective date	Major requirements
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 Jan 2016	The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves. Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities. The amendments apply retrospectively.

2.1.3 *New and revised IFRSs in issue but not yet effective*

New standard	Effective date	Major requirements
IFRS 15 *Revenue from Contracts with Customers*	1 Jan 2018	The new revenue standard issued on 28 May 2014 introduces a new revenue recognition model for contracts with customers in addition to requiring new disclosures. The Group does not expect significant deviations from how it currently accounts for revenue. However, detailed evaluation of all revenue lines would need to be undertaken ahead of the effective date for the adoption of the standard.
IFRS 16 Leases	1 Jan 2018	IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

New standard	Effective date	Major requirements
IFRS 16 Leases	1 Jan 2018	IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.
IFRS 9 *Financial Instruments*	1 Jan 2018	IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. Key requirements of IFRS 9: • All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

New standard	Effective date	Major requirements
IFRS 9 *Financial Instruments*	1 Jan 2018	accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss. • With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. • In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. • The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

2.2 Critical accounting judgements and key sources of estimation uncertainty

2.2.1 Critical judgements in applying the entity's accounting policies

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

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

- The directors have assessed the Group's total asset holdings relative to its cash-flow requirements and the practicality of trading in those assets and have confirmed the Group's constructive intention and ability to extract value from the assets on a "best use" basis on all non-monetary assets and a "best case" basis in the case of monetary assets. The total portfolio of non-monetary assets amounted to US$133 752 420 (2015: US$150 591 978) whilst non-cash monetary assets amounted to US$305 540 376 (2015: US$267 033 093).

2.2.2 Key sources of estimation uncertainty

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

2.2.2.1 Fair value for unquoted investments

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

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

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

2.2.2.2 Fair value adjustments for financial liabilities

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

2.2.2.3 Valuation of treasury bills used for the recapitalisation of Bank

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

2.2.2.4 Valuation of property and equipment and investment properties

In the current year properties were revalued as at 31 December 2016 on the basis of a valuation done by Edinview Property Group (EPG Global) (2015 – EPG Global) who are independent valuers not related to the Group. EPG Global is a member of the Royal Institute of Chartered Surveyors (RICS) and possesses appropriate qualifications and recent experience in the valuation of similar assets. The valuation, which conforms to RICS Appraisal and Manual was arrived at by reference to market evidence of transactions for similar assets at the time of valuation after application of the following broad methodology.

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

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

- Rental and investment yield assumptions where as follows:

	Average rentals per square meter 2016	Average investment yield 2015	Average rentals per square meter 2016	Average investment yield 2015
Office	US$5 - US$6	8% - 11%	US$5 - US$6	8% - 11%
Retail	US$7 - US$8	8% - 10%	US$7 - US$8	8% - 10%
Industrial	US$2.5 - US$4	12% - 15%	US$2.5 - US$4	12% - 15%

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

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

Other general assumptions made were as follows:-

Land selling price per square meter after development	US$20.00	to	US$35.00
Cost of servicing land per square meter	US$10.00	to	US$12.00
Imputed finance cost during development term			12%
Imputed developers profit			20%

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

The financial effect of the revaluation exercise is indicated below:

	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Fair value adjustment on investment properties (note 12)	(813 052)	(711 500)
Fair value adjustment on investment property held for sale (note 15)	(162 100)	-
Revaluation adjustment on property and equipment	(509 193)	(957 345)
Total decrease in property values	(1 484 345)	(1 668 845)

2.2.2.5 Useful lives and residual values of property and equipment

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

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

The maximum useful lives were determined as follows:

	31 Dec 2016	31 Dec 2015
Freehold properties	33 years	33 years
Leasehold improvements	15 years	15 years
Motor vehicles and mobile agencies	4 years	4 years
Equipment, furniture and fittings	10 years	10 years
Computer equipment	3 years	3 years

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

In terms of accounting policy 3.19.1, the Group makes full provision for the estimated cost of all claims incurred at the reporting date. A liability reserve amount is set aside for potential claims incurred by the reporting date but not yet reported. The determination of the level of the liability reserve is based on the claims payment profile established over past periods. The estimated balance of the IBNR liability reserve at the date of the statement of financial position amounted to US$1 861 481 (2015: US$1 851 712).

2.2.2.7 Valuation of the life fund

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

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

	31 Dec 2016	Factor Restated 31 Dec 2015
Key assumption area		
Valuation discount rates (taxed)	6%	6%
Valuation discount rates (untaxed)	6%	6%
Expense inflation rate	2.5%	2.5%
Expected real yield rate	3.5%	3.5%

Actuarial liabilities are shown in the Group's statement of financial position as "life assurance funds" and the balance as at 31 December 2016 is made up as follows:

	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Value of total liability	22 078 262	22 156 619
Distribution of surplus in the fund	6 171 634	5 615 927
	28 249 896	27 772 546

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

A total of US$ nil (2015 – US$712 600) is included in the life fund as an Expense Overrun Reserve (EOR). This caters for the fact that current levels of policy related expenses exceed the related premiums from those policies. Estimation of the EOR assumed a two year (2015: two year) period of continued expense under-recovery before a break-even level is achieved. An improved business outlook and general expense stabilization will result in a reduction of the reserve.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

2.2.2.8 Portfolio loan loss provision

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

The portfolio loan loss provision at the date of the statement of financial position amounted to US$769 890 (2015: US$812 746).

2.2.2.9 Assessment of control in investments

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

2.3 Prior year adjustments

a) Recognition of Capitalisation Treasury Bills fair value on transaction date:

Prior year figures were adjusted in respect of the restatement of Capitalisation Treasury Bills (CTBs) and the related loan instrument to recognize fair value at date of transaction.

The Group acquired 10 year CTBs in a transaction leading to the recapitalisation of its Banking operations on 26 May 2015. The transaction was settled by the issue of an interest free debt instrument to the Government of Zimbabwe, the issuer of the CTBs. The CTBs were issued initially at a zero coupon which was subsequently changed to 1%, payable on maturity. Due to the valuation intricacies noted then, the CTBs, and the related loan instrument, were measured at face value with disclosures being provided regarding the valuation sensitivities.

Further consultations on this matter have indicated that not providing a valuation for the CTBs and the related loan constituted a departure from financial reporting standards, particularly IAS 39 "Financial Instruments: Recognition and Measurement". Consequently the financial statements have been restated to take account of the derived fair values of the asset and loan liability at transaction date. The development of the fair value and relevant assumptions made in that regard is explained in note 3.

b) Deferred tax computation on the fair value adjustment on available for sale financial assets:

Deferred taxation in relation to the fair value adjustment on available for sale financial instruments was not included in the movements shown in under other comprehensive income. A prior year adjustment has been raised to show the movements appropriately.

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

2.3 Prior year adjustment (continued)

The financial effect of this adjustment in the prior year is as follows:

		Company US$	Group US$
1)	Effect on total assets		
	- As previously stated	110 802 450	424 083 583
	- Prior year adjustment	(8 010 157)	(6 458 512)
	- arising from the restatement of CTBs from face value to face value at transaction date.	(5 818 604)	(5 818 604)
	- arising from a reduction in assessed loss after inclusion of discount income in tax computations	(868 715)	-
	- reduction in carrying value of investments in subsidiaries from the recognition of deferred tax liability on available for sale financial assets	(1 322 838)	-
	- in respect of reversal of deferred tax asset recognised in prior year	-	(639 908)
	- Restated amount	102 792 293	417 625 071
2)	Effect on total liabilities		
	- As previously stated	50 665 790	342 510 212
	- Prior year adjustment	(7 107 823)	(5 556 179)
	- arising from the restatement of a long term zero interest loan from face value to computed face value at transaction date	(7 107 823)	(7 107 823)
	- arising from the restatement of aggregate deferred tax after adjustments on financial assets and liabilities available for sale financial assets	-	1 551 644
	- Restated amount	43 557 967	336 954 033
3)	Effect on shareholder equity:		
	- As previously stated	60 136 660	81 573 372
	- Prior year adjustment	(902 334)	(902 334)
	- profit and loss impact related to the amortisation of assets and liabilities carried at amortised cost restatement of fair value at transaction date	1 289 219	1 289 219
	- arising from a reduction in assessed loss after inclusion of discount income in tax computations	(868 715)	(868 715)
	reduction in carrying value of investments in subsidiaries from the recognition of deferred tax liability on available for sale financial assets	(1 322 838)	(1 322 838)
	- Restated amount	59 234 326	80 671 038
4)	Effect on reported profits		
	- As previously stated	12 882 502	8 935 958
	- Prior year adjustment	(902 334)	420 504
	- profit and loss impact related to the amortisation of assets and liabilities carried at amortised cost restatement of fair value at transaction date	1 289 219	1 289 219
	- arising from a reduction in assessed loss after inclusion of discount income in tax computations	(868 715)	(868 715)
	- reduction in carrying value of investments in subsidiaries from the recognition of deferred tax liability on available for sale financial assets	(1 322 838)	-
	- Restated amount	11 980 168	9 356 462

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Basis of preparation

3.1.1 Reporting currency

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

3.1.2 Statement of compliance

The Group and company annual financial statements as at and for the year ended 31 December 2016 have been prepared under the supervision of F Kapanje CA(Z), Group Finance Director of ZB Financial Holdings Limited. The financial statements are based on accounting records maintained under the historical cost convention as modified by the revaluation of property and equipment and certain financial instruments and have been prepared in accordance with International Financial Reporting Standards (IFRSs), promulgated by the international Accounting Standards Board (IASB) which includes standards and interpretations approved by IASB, the International Financial Reporting Interpretations Committee (IFRIC) interpretations, and in the manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24.20), the Building Society Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and the relevant regulations made thereunder.

The consolidated and separate financial statements were authorised for issue by the board of directors on 2 March 2017.

3.2 Basis of consolidation

Subsidiaries

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

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

Business combinations

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.2 Basis of consolidation (continued)

Non-controlling interests (NCI)

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

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

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

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

Transactions eliminated on consolidation

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

3.2.1 Goodwill

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

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

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

3.2.2 Loss of control

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

3.2.3 Associates

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.2.3 Associates (continued)

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

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

3.2.4 Notes to the consolidated financial statements

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

3.3 Revenue recognition

3.3.1 Net interest income

3.3.1.1 Interest income

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

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

3.3.1.2 Interest expense

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

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

3.3.1.3 Effective interest method

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

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

3.3.2 Trading income

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.3.3 Fee and commission income

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

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

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

3.3.4 Premiums

In respect of life and pension assurance services:-

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

In respect of reinsurance services:-

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

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

3.3.5 Services rendered

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

3.3.6 Dividends

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

3.4 Financial instruments

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.1 Financial assets

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

Financial assets are classified into the following specified categories:

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

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

3.4.1.1 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.1.2 Financial assets at FVTOCI

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

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

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

3.4.1.3 Financial assets at amortised cost

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

3.4.1.4 Cash and cash equivalents

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

3.4.1.5 Impairment of financial assets

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

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

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.1.5 Impairment of financial assets (continued)

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

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

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

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

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.4.1.6 Derecognition of financial assets

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.1.6 Derecognition of financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of:

- the consideration received and
- any cumulative gain or loss that has been recognized in other comprehensive income,
- is recognized in profit or loss.

3.4.2 Financial liabilities and equity instruments issued by the Group

3.4.2.1 Classification as debt or equity

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

3.4.2.2 Equity instruments

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

3.4.2.3 Compound instruments

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

3.4.2.4 Treasury shares

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

3.4.2.5 Financial guarantee contract liabilities

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.2.6 Financial liabilities

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

3.4.2.7 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

3.4.2.8 Borrowings, including preference shares

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.2.8 Borrowings, including preference shares (continued)

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

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

3.4.2.9 Provisions

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

3.4.2.10 Other financial liabilities

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

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

3.4.2.11 Financial liabilities under insurance and investment contracts

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

3.4.2.12 Claims and policyholder benefits

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

3.4.2.13 Derecognition of financial liabilities

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

3.4.3 Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the statement of financial position
- where there is a legally enforceable right to set off;
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.4.4 Fair values of financial instruments

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

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

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

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

Fair value hierarchy

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

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

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

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

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

3.5 Contingent liabilities

Contingent liabilities are disclosed when the Group:

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.6 Inventories

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

3.7 Acceptances

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

3.8 Property and equipment

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

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

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

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

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

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.8 Property and equipment (continued)

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

3.9 Foreign currency transactions

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

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

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

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

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

3.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.10 Taxation (continued)

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

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

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

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

3.11 Pension funds

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

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

3.12 Leases

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.12.1 The Group as lessor

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

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

3.12.2 The Group as lessee

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

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

3.13 Instalment transactions

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

3.14 Dividends on ordinary shares

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

3.15 Fiduciary activities

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.16 Internally-generated intangible assets

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

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

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

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

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

3.17 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.18 Investment property

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

3.19 Reinsurance contracts

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

3.19.1 Outstanding claims reserve

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

3.19.2 Insurance liabilities

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

3.19.3 Commissions

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

3.19.4 Reinsurance held

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

3.19.5 Reinsurance assets

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

3.20 Borrowing costs

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

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

4. SEGMENT INFORMATION

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

a) Banking Operations

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

4. SEGMENT INFORMATION (continued)

b) Insurance Operations

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

c) Other Strategic Investments

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

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

4. SEGMENT INFORMATION

4.1 31 December 2016

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

[3]. Includes consolidation journals.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

4. SEGMENT INFORMATION

4.1 31 December 2015

	Banking operations US$	Insurance operations US$	Other strategic investments[4] US$	Total US$
External revenue				
Net interest and other related income	13 390 968	1 037 386	(613 913)	13 814 441
Net fee and commission income	34 410 328	8 502 055	(1 428 530)	41 483 853
Other revenue	2 732 360	(1 035 766)	999 776	2 696 370
Total segment revenue	50 533 656	8 503 675	(1 042 667)	57 994 664
Other material non-cash items:				
Depreciation	2 096 121	137 714	160 351	2 394 186
Amortisation of intangible assets	1 759 497	21 319	28 224	1 809 040
Fair value adjustments	(401 843)	(1 619 747)	(650 343)	(2 671 933)
Reportable segment profit before taxation	6 855 780	191 921	3 622 209	10 669 910
Reportable segment assets as at 31 December 2015	379 610 509	60 681 923	(22 667 361)	417 625 071
Reportable segment liabilities as at 31 December 2015	304 420 507	35 348 123	(2 814 597)	336 954 033

[4]. Includes consolidation journals.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
5.	**CASH AND CASH EQUIVALENTS**				
5.1	Balances with the Reserve Bank of Zimbabwe	-	-	44 963 967	17 331 436
5.2	Balance with other banks, nostro accounts and cash	1 237 506	(1 455 911)	37 229 532	38 457 703
	Total cash and cash equivalents	1 237 506	(1 455 911)	82 193 499	55 789 139
6.	**MONEY MARKET INVESTMENTS**				
	Money market investments	-	-	5 519 513	11 093 782

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

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
7.	**TREASURY BILLS**				
	Treasury bills include:				
7.1	**Assets classified as 'at fair value through profit or loss':**				
	Short term treasury bills [1]	-	-	-	4 152 036
7.2	**Assets classified as 'at fair value through other comprehensive income':**				
	Medium term treasury bills acquired from the market [2]	-	-	83 485 452	68 541 222
7.3	**Assets classified as 'loans and receivables':**				
	Treasury bills issued as substitution for debt instruments [3]	-	-	20 257 788	13 696 971
	Capitalisation treasury bills [4]	-	-	14 890 466	14 181 396
	-as previously stated	-	-	14 890 466	20 000 000
	-prior year adjustments	-	-	-	(5 818 604)
		-	-	118 633 706	100 571 625

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

7. TREASURY BILLS (continued)

1. The Group invested in short term treasury bills issued by the RBZ over a period of 180 days at a rate of 8.5%.
2. The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 2% to 5% with maturity periods ranging from 1 year to 4 years.
3. The Group received treasury bills as substitution for debt instruments from the Zimbabwe Asset Management Company (ZAMCO). The treasury bills have a coupon rate of 5% with maturity periods ranging from 2 to 15 years.
4. These bills were issued against a long term loan at the Holding Company. The Capitalisation Treasury Bills (CTBs) with face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe against an interest free loan at the Holding Company. The CTBs were then used to recapitalize ZB Bank Limited, a 100% owned subsidiary. The CTBs mature on 26/05/2025 and carry a coupon of 1% which is payable on maturity.

Classification:-

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

Measurement of fair value at initial recognition:-

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

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

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

The rates above were corroborated by reference to :-
a) Rates applicable to similar loans to GoZ over the same term.
b) External loan rates to private sector players in Zimbabwe after adjustment for risk margins and charges.</td>
<td>The estimated fair value would increase or decrease if a different risk adjusted discount rate was applied. Below is an indication of the sensitivity analysis at different rates:-
<table>
<tr><th>Rate</th><th>Basis</th><th>Reduction in capital</th></tr>
<tr><td>3.93%</td><td>Minima</td><td>5 037 181</td></tr>
<tr><td>4.63%</td><td>Average</td><td>6 008 624</td></tr>
<tr><td>5.5%</td><td>Maxima</td><td>7 120 527</td></tr>
</table>
</td>
</tr>
</table>

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
7.4	Contingent assets				
	In respect of treasury bills held in trust on behalf of clients	-	-	2 615 504	4 309 625

The Group previously held balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporates and tobacco farmers. The balances were expunged through issuance of treasury bills in terms of the Reserve Bank of Zimbabwe (Debt Assumption Act 2015). The Group received treasury bills amounting to US$6.8million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US$4.2 million (2015: US$1.8 million) of these treasury bills had been passed on to customers as at 31 December 2016.

These treasury bills have been accounted for as off balance sheet assets as at 31 December 2016 as the Bank is holding them on behalf of customers.

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
8.	MORTGAGES AND OTHER ADVANCES				
8.1	Gross loan book				
	Mortgage advances	-	-	17 732 525	12 330 737
	Other advances:				
	Loans, overdraft and other accounts	-	-	81 940 716	85 867 444
	Finance leases	-	-	2 647 794	3 137 148
	Bills discounted	-	-	3 432 237	6 727 340
	Insurance advances	-	-	3 825 382	4 056 821
	Total other advances	-	-	91 846 129	99 788 753
	Gross advances	-	-	109 578 654	112 119 490
	Off balance sheet exposures				
	In respect of guarantees	-	-	5 508 563	7 194 422
	Gross credit exposure	-	-	115 087 217	119 313 912
	Gross advances	-	-	109 578 654	112 119 490
	Less: Allowance for loan impairments	-	-	(6 684 196)	(9 153 069)
	Less: interest reserved	-	-	(3 700 800)	(3 387 874)
	Net advances	-	-	99 193 658	99 578 547

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
8.2	**Maturity analysis**				
	On demand	-	-	24 412 121	39 156 270
	Within 1 month	-	-	15 198 224	2 257 658
	Between 1 and 6 months	-	-	7 639 850	13 845 562
	Between 6 and 12 months	-	-	17 283 890	16 522 194
	After 12 months	-	-	34 659 573	27 796 863
		-	-	99 193 658	99 578 547
8.3	**Non-performing loans**				
	Included in the above are the following;				
	Non-performing loans	-	-	25 975 323	23 948 042
	Less: Allowance for loan impairments	-	-	(6 684 196)	(9 153 069)
	Less: Interest reserved	-	-	(3 700 800)	(3 387 874)
	Value to be received from security held	-	-	15 590 327	11 407 099

For the secured non-performing loans, security exists in the form of liens registered over funded accounts, bonds registered over landed property and guarantees in various forms. The Group discounts the value of the security at hand using internal thresholds for prudential purposes. Generally no security value is placed on ordinary guarantees. The internally discounted value of the security held in respect of the non-performing book amounted to US$29 126 753 as at 31 December 2016 (2015: US$28 713 815).

Non-performing loans with a net value of US$9.6m were transferred to a Special Vehicle called Credsave (Private) Limited (Credsave) in a transaction that is yet to meet conditions of a “clean sale”. Resultantly, these assets are still recognised in the statement of financial position of the Group. The security value of this pool of assets amounts to US$13.8m thus implying a security coverage of 144%. The Group plans to offer the Credsave pool of assets as a “block” to interested investors upon which the assets will meet conditions for derecognition from the statement of financial position. In the meantime, recovery efforts continue with any recoveries resulting in the adjustment of the net exposure to the Group.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
8.4	**Sectorial analysis**				
	Private	-	-	47 589 436	54 060 579
	Agriculture	-	-	11 414 159	18 937 258
	Mining	-	-	6 789 929	6 326 861
	Manufacturing	-	-	9 449 756	7 599 677
	Distribution	-	-	7 565 394	6 545 098
	Construction	-	-	972 468	818 555
	Transport	-	-	1 304 858	1 805 641
	Services	-	-	16 884 044	12 384 109
	Financial	-	-	6 956 457	2 315 062
	Communication	-	-	652 153	1 326 650
		-	-	109 578 654	112 119 490
8.5	**Loan impairment**				
	Statement of financial position movement:				
	Balance at beginning of year	-	-	9 153 069	3 735 495
	Charge to profit or loss (note 8.6)	-	-	1 954 349	13 830 132
	Write offs against provision	-	-	(4 423 222)	(8 412 558)
	Balance at end of year	-	-	6 684 196	9 153 069
	Comprising:				
	specific provision	-	-	5 914 306	8 340 323
	portfolio provision	-	-	769 890	812 746
		-	-	6 684 196	9 153 069
8.6	**Net recoveries / (loan impairment charges) to statement of profit or loss:**				
	Recoveries during the year	-	-	2 725 370	10 896 291
	Charge to loan impairment allowance	-	-	(1 954 349)	(13 830 132)
		-	-	771 021	(2 933 841)

The above provisions have been established in terms of the accounting policy 3.4.1.3 in respect of payment of financial assets at 31 December 2016.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
8.7 Mortgage advances				
Mortgage advances were spread as follows:				
Type of property:-				
High density	-	-	4 625 243	1 119 534
Medium density	-	-	2 022 234	3 605 224
Low density	-	-	6 822 447	7 605 979
Commercial	-	-	4 262 601	-
	-	-	17 732 525	12 330 737

8.8 Finance lease receivables

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Gross investment in finance leases:				
Less than 1 year	-	-	1 084 058	1 378 190
Between 1 and 5 years	-	-	1 940 055	2 282 266
Gross investment in finance leases	-	-	3 024 113	3 660 456
Unearned finance charges	-	-	(376 319)	(523 308)
Net investment in finance leases	-	-	2 647 794	3 137 148
Less than 1 year	-	-	1 017 472	1 246 393
Between 1 and 5 years	-	-	1 630 322	1 890 755
	-	-	2 647 794	3 137 148

8.9 Determination of carrying value

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
9. INVESTMENT SECURITIES				
9.1 Assets classified as "fair value-through profit or loss":				
Unit Trusts	-	-	513 383	473 947
Government and public utilities stock	-	-	4 570 234	3 755 907
Listed equity investments	389 597	176 943	5 134 100	3 871 391
Unlisted equity investments	344 383	304 291	4 384 298	4 509 715
	733 980	481 234	14 602 015	12 610 960
9.2 Held at amortised cost				
Embargoed funds	-	-	5 796 842	5 796 842
Short term investments	3 170 506	15 216 137	-	-
	3 904 486	15 697 371	20 398 857	18 407 802
9.3 Movement of investment securities				
Balance at beginning of year	15 697 371	11 447 520	18 407 802	16 289 203
Additions during the year:	305 135	4 773 611	2 686 810	4 213 412
- on listed equity investments	83 635	167 226	102 331	1 808 159
- on unlisted equity investments	-	119 999	-	299 999
- on Government stock	-	-	2 584 479	2 105 254
- on short term investments	221 500	4 486 386	-	-
Disposals				
- on listed equities	(9 940)	-	(9 940)	(129 880)
- on unlisted investments	-	-	(130 000)	-
- on Government stock	-	-	(1 770 153)	-
- on short term investments	(12 267 131)	-	-	-
Fair value adjustments	179 051	(523 760)	1 214 965	(1 960 433)
- on listed equities	138 959	(73 326)	837 900	(1 211 260)
- on unlisted equities	40 092	(450 434)	337 628	(690 044)
- on unit trust investments	-	-	39 437	(59 129)
Losses arising from disposal of investments	-	-	-	(4 311)
Impairment on bank balances	-	-	(627)	(189)
Balance at end of year	3 904 486	15 697 371	20 398 857	18 407 802

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

9.4 Investment Securities Measured At Fair Value

The table below summarises the various assets measured at fair value and the level on the fair value hierarchy.

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
2016				
GROUP				
Listed equity investments	5 134 100	-	-	5 134 100
Unlisted equity investments	-	-	4 384 298	4 384 298
Unit trust investments	-	513 383	-	513 383
Government and public utilities stock	-	-	4 570 234	4 570 234
	5 134 100	513 383	8 954 532	14 602 015
COMPANY				
Listed equity investments	389 597	-	-	389 597
Unlisted equity investments	-	-	344 383	344 383
	389 597	-	344 383	733 980
2015				
GROUP				
Listed equity investments	3 871 391	-	-	3 871 391
Unlisted equity investments	-	-	4 509 715	4 509 715
Unit trust investments	-	473 947	-	473 947
Government and public utilities stock	-	-	3 755 907	3 755 907
	3 871 391	473 947	8 265 622	12 610 960
COMPANY				
Listed equity investments	176 943	-	-	176 943
Unlisted equity investments	-	-	304 291	304 291
	176 943	-	304 291	481 234

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

9.5.1 Level 1 valuation

Listed equity investments are valued in relation to prices ruling at the Zimbabwe Stock Exchange (ZSE) at the close of business on 31 December 2016.

9.5.2 Level 2 valuation

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

9.5.3 Level 3 valuation

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
10. GROUP INVESTMENTS				
10.1 Investments in associates				
Balance at beginning of year	825 139	5 341 204	36 701 892	38 471 112
Acquisitions	832 998	-	832 998	-
Disposals	-	(5 002 294)	-	-
Share of current year profits / (loss) after tax	330 108	486 229	(2 302 919)	(1 769 220)
Balance at end of year	1 988 245	825 139	35 231 971	36 701 892

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

Name of company	2016 % Holding	2015 % Holding	2016 % Holding	2015 % Holding
Cell Insurance (Private) Limited [1]	33.32%	43.46%	33.32%	43.46%
Credit Insurance Zimbabwe Limited [1]	-	-	42.10%	42.10%
Zimswitch Technologies (Private) Limited [2]	-	-	27.68%	27.68%
Mashonaland Holdings Limited [3]	-	-	34.72%	34.72%
- Shareholder	-	-	19. 31%	19.31%
- Policyholders	-	-	15 .41%	15.41%

Nature of Business

[1] Short-term insurance

[2] Payments switch

[3] Property

Aggregated amounts relating to associate companies:				
Total assets	16 291 835	12 458 647	125 998 092	126 419 592
Total liabilities	11 588 912	10 486 140	24 789 076	21 275 196
Revenue	3 053 451	3 673 440	4 840 058	4 255 720
Profit	732 772	791 266	(3 580 770)	(4 924 469)
Share of profit / (losses) after tax	330 108	486 229	(2 302 919)	(1 769 220)

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
10.2 Investments in subsidiaries				
Balance at beginning of year	77 394 865	50 540 624	-	-
Additions	-	12 278 264	-	-
as previously reported	-	20 000 000	-	-
prior year adjustments	-	(7 721 736)	-	-
Fair value adjustments	8 511 331	9 431 822	-	-
as previously reported	8 511 331	9 720 243	-	-
prior year adjustments	-	(288 421)	-	-
Reversal of negative carrying amount in discontinued operations	-	5 144 155	-	-
Balance at end of year	85 906 196	77 394 865	-	-
Owned by ZB Financial Holdings Limited (Company):-				
ZB Bank Limited - 100%	56 182 576	49 655 070	-	-
As previously reported	56 182 576	57 665 227	-	-
Prior year adjustments (note 2.3)	-	(8 010 157)	-	-
Scotfin Limited - 100%	-	306 500	-	-
ZB Holdings Limited - 100%	519 973	359 613	-	-
Intermarket Holdings Limited - 84.26%	27 756 195	26 364 859	-	-
ZB Transfer Secretaries – 100%	778 009	510 831	-	-
ZB Associated Services - 100%	669 443	197 992	-	-
Total investments in subsidiaries	85 906 196	77 394 865	-	-

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

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

Prior year adjustments are in respect of the restatement of the capitalization treasury bills and the related loan instrument to recognize the fair value at date of transaction and deferred tax computation on the fair value adjustment on available for sale financial assets as indicated in note 2.3.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

10.2 Investments in subsidiaries (continued)

Other subsidiary companies in the Group are as follows:

	2016 % Holding	2015 % Holding	Nature of Business	Status
Owned by ZB Bank Limited:				
The Trustee Company of Central Africa (Private) Limited	100%	100%	Investment	Dormant
ZB Nominees (Private) Limited	100%	100%	Investment	Dormant
Syfrets Nominees (Private) Limited	100%	100%	Investment	Dormant
Barcelona Investments Limited	100%	100%	Property	Active
Owned by ZB Holdings Limited				
ZB Capital (Private) Limited	100%	100%	Venture capital	Active
Data Centre (Private) Limited	100%	100%	Technology	Dormant
Syfrets Trust and Executor Limited	100%	100%	Estates and trusts Administration	Dormant
Syfin Holdings Limited	100%	100%	Investment	Dormant
Syfrets Corporate Trustee Company (Private) Limited	100%	100%	Investment	Dormant
Owned by Intermarket Holdings Limited:				
ZB Reinsurance Limited	100%	100%	Reinsurance	Active
First Mortgage Investments (Private) Limited	100%	100%	Investments	Dormant
Intermarket Banking Corporation Limited (IBCL)	96%	96%	Commercial bank	Passive
ZB Life Assurance Limited	64%	64%	Life assurance	Active
ZB Building Society	59%	59%	Building society	Active
Owned by ZB Building Society:				
Finsure Investments (Private) Limited	51%	51%	Property	Active
Wentspring Investments (Private) Limited	100%	100%	Investment	Active
Owned by ZB Life Assurance Limited:				
Intermarket Properties (Cinema) (Private) Limited	100%	100%	Property	Active
Original Investments (Private) Limited	42%	42%	Property	Active
Aasaculz (Private) Limited	100%	100%	Property	Active
Twirlton Investments (Private) Limited	26%	26%	Property	Active
Mashonaland Holdings Limited	32%	32%	Property	Active
Citiside (Private) limited	60%	60%	Leisure	Active
Checkweighers Farmers (Private) Limited	65%	65%	Property	Active

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

10.3 Valuation techniques and significant unobservable inputs

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

10.4 Non-controlling interests (NCI)

31 December 2016

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

10.4 Non-controlling interests (NCI)

31 December 2015

	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	41%	36%	4%		
	US$	US$	US$	US$	US$
Non current assets	15 327 890	36 154 208	7 292 142		
Current assets	32 685 731	10 123 836	63 058		
Non current liabilities	(1 778 209)	(28 495 308)	(381 484)		
Current liabilities	(25 530 567)	(1 794 285)	(592 407)		
NCI recorded in subsidiaries	(4 104 197)	(87 663)	-		
Net assets	16 600 648	15 900 788	6 381 309		
Carrying amount of NCI	6 846 107	5 795 837	265 336	6 654 619	19 561 899
Revenue	7 755 967	4 879 685	(26 526)		
Profit	1 619 487	(1 085 678)	(61 201)		
OCI	(116 590)	19 588	-		
Total comprehensive income	1 502 897	(1 066 090)	(61 201)		
Profit allocated to NCI	84 416	(1 062 592)	-	1 348 099	369 923
OCI allocated to NCI	-	(3 499)	-	(44 781)	(48 280)
Cash flows from operating activities	(1 506 455)	1 620 577	(11 063)		
Cash flows from investment activities	529 324	(1 636 636)	-		
Cash flows from financing activities (dividends to NCI)	(35 596)	-	-		
Net increase in cash and cash equivalents	(1 012 727)	(16 059)	(11 063)		

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
11. INVENTORIES, TRADE AND OTHER RECEIVABLES				
Inventories	-	-	1 635 263	2 610 113
Items in transit	-	-	1 352 508	13 636 504
Prepayments	-	-	4 323 832	3 696 654
Sundry receivables	6 224 591	5 645 302	2 488 621	5 357 504
Total	6 224 591	5 645 302	9 800 224	25 300 775

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
12. INVESTMENT PROPERTIES				
12.1 Reconciliation of carrying amount				
Carrying amount at beginning of year	342 000	-	14 996 099	17 164 129
Additions	-	-	922 713	-
Transfer from / (to) inventories	-	-	768 596	(16 530)
Acquisition of property through debt settlement swap	-	-	164 465	-
Transfer from other subsidiaries	-	357 000	-	-
Transfer from property and equipment	-	-	10 690 027	-
Disposals	-	-	-	(140 000)
Property reclassified as held for sale	-	-	-	(1 300 000)
Fair value adjustment	2 000	(15 000)	(813 052)	(711 500)
Balance at end of year	344 000	342 000	26 728 848	14 996 099

The properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated. Rental income generated from investment properties amounted to US$1 156 449 (2015: US$1 297 087). Repairs and maintenance costs of investment properties that generated investment income amount to US$97 185 (2015: US$21 721).

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

12.2 Measurement of fair value

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of valuations carried out by independent professional valuers, Edinview Property Group (EPG Global) (2015 - Edinview Property Group (EPG Global). The valuation, which conforms to International Valuation Standards, was in terms of accounting policy 3.18 and was derived with reference to market information close to the date of the valuation.

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

12.3 Valuation techniques and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The **Investment Method** was applied on all income producing properties. Market capitalization rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market. The **Direct Comparison Method** was applied on all residential properties, after EPG Global identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.	Average rentals per square metre - US$5 to US$8 Average investment yield - 8% to 15%.	The estimated fair value would increase (decrease) if: • Expected market rental growth were higher (lower) • Void period were shorter (longer) and • Occupancy rate were higher (lower)

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

Immovable properties were revalued as at 31 December 2016 on the basis of valuations carried out by independent and professional valuers, Edinview Property Group Global (2015 - EPG Global) and in terms of accounting policy 3.8. All movable assets are carried at directors' valuation which, in the main, was derived by the application of a depreciation charge on values carried at the beginning of the year. Comparison of carrying values to market values indicated by auctioneers was done on a sample basis and no material discrepancies were noted.

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
13. PROPERTY AND EQUIPMENT						
GROUP						
Cost or valuation						
Balance at 1 January 2015	34 742 213	5 397 593	5 287 749	5 604 097	5 339 834	56 371 486
(Reduction) / surplus on revaluation	(983 726)	-	-	-	26 381	(957 345)
Additions	-	1 030 275	499 347	1 583 646	99 789	3 213 057
Disposals	-	-	(28 745)	(23 797)	(268 465)	(321 007)
Balance at 31 December 2015	33 758 487	6 427 868	5 758 351	7 163 946	5 197 539	58 306 191
Accumulated depreciation						
Balance at beginning of year	766 385	1 972 188	1 939 446	3 952 646	3 220 901	11 851 566
Recognised in profit or loss	67 274	490 909	516 701	682 747	636 555	2 394 186
Disposals	-	-	(13 375)	(18 790)	(151 194)	(183 359)
Balance at the 31 December 2015	833 659	2 463 097	2 442 772	4 616 603	3 706 262	14 062 393
Carrying value at 31 December 2015	32 924 828	3 964 771	3 315 579	2 547 343	1 491 277	44 243 798
Carrying value at 31 December 2014	33 975 828	3 425 405	3 348 303	1 651 451	2 118 933	44 519 920

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
13. PROPERTY AND EQUIPMENT (continued)					
COMPANY					
2016					
Cost or valuation					
Balance at 1 January 2016	18 725	602 007	412 562	158 924	1 192 218
Additions	-	-	33 168	-	33 168
Disposals	-	(4 397)	-	-	(4 397)
Balance at 31 December 2016	18 725	597 610	445 730	158 924	1 220 989
Accumulated depreciation					
Balance at 1 January 2016	3 849	232 197	222 321	101 367	559 734
Recognised in profit or loss	1 883	58 800	57 513	26 630	144 826
Disposals	-	(4 397)	-	-	(4 397)
Balance at 31 December 2016	5 732	286 600	279 834	127 997	700 163
Carrying value at 31 December 2016	12 993	311 010	165 896	30 927	520 826
2015					
Cost or valuation					
Balance at 1 January 2015	18 145	433 484	136 811	-	588 440
Transfers	-	143 858	149 598	250 558	544 014
Additions	580	34 365	131 741	-	166 686
Disposals	-	(9 700)	(5 588)	(91 634)	(106 922)
Balance at 31 December 2015	18 725	602 007	412 562	158 924	1 192 218
Accumulated depreciation					
Balance at 1 January 2015	1 980	116 491	90 091	-	208 562
Transfers	-	56 283	82 601	102 729	241 613
Recognised in profit or loss	1 869	64 445	52 944	27 847	147 105
Disposals	-	(3 586)	(3 315)	(29 209)	(36 110)
Balance at 31 December 2015	3 849	233 633	222 321	101 367	561 170
Carrying value at 31 December 2015	14 876	368 374	190 241	57 557	631 048

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
14. INTANGIBLE ASSETS				
Computer software				
Carrying amount at beginning of year	92 083	116 321	9 641 612	8 507 386
Additions at cost	-	-	1 502 848	2 967 936
Amortisation	(23 343)	(23 797)	(2 946 883)	(1 809 040)
Disposals	-	(441)	-	(441)
Impairment	-	-	-	(24 229)
Balance at end of year	68 740	92 083	8 197 577	9 641 612
15. NON CURRENT ASSETS HELD FOR SALE				
Carrying amount at the beginning of the year	-	-	1 300 000	1 300 000
Fair value adjustments	-	-	(162 100)	-
Balance at end of year	-	-	1 137 900	1 300 000

The Group intends to dispose its industrial property number 3 Hermes Road Southerton Harare, within the next 12 months. The Board of directors approved the disposal of the named asset. The building is currently vacant and the Group has already engaged an Estate Agent to look for buyers. The Group received an offer from a potential buyer and price offered less costs to sell is greater than the carrying amount of the asset.

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
16. DEPOSITS AND OTHER ACCOUNTS				
16.1 Summary of deposits by type				
Balances of banks	-	-	35 115 189	28 117 054
Current accounts	-	-	40 644 346	35 814 094
Savings and call accounts	-	-	93 353 180	83 046 523
Fixed deposits	-	-	103 389 083	107 682 140
Agrobills	2 770 456	15 037 638	2 770 456	15 037 638
	2 770 456	15 037 638	275 272 254	269 697 449

Group properties worth US$6 430 000 (2015: US$6 613 000) were offered as security for certain deposits during the year. These assets are included in the assets in notes 12 and 13.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
16.2	**Maturity analysis**				
	On demand	-	-	134 884 131	118 602 857
	Within 1 month	-	-	109 581 281	99 435 392
	Between 1 and 6 months	-	-	15 166 840	25 305 793
	Between 6 and 12 months	-	-	2 748 776	326 145
	After 12 months	2 770 456	15 037 638	12 891 226	26 027 262
		2 770 456	15 037 638	275 272 254	269 697 449
16.3	**Deposit concentration**				
	Private individuals	-	-	43 186 754	44 903 026
	Agriculture	-	-	10 323 468	6 196 126
	Mining	-	-	1 232 321	957 900
	Manufacturing	-	-	16 279 204	16 291 652
	Distribution	-	-	10 024 142	7 382 163
	Construction	-	-	2 068 377	2 694 563
	Transport	-	-	1 304 675	1 739 781
	Services	-	-	69 224 004	66 364 314
	Financial	2 770 456	15 037 638	95 844 320	98 381 375
	Communication	-	-	25 784 989	24 786 549
		2 770 456	15 037 638	275 272 254	269 697 449
17.	**TRADE AND OTHER PAYABLES**				
	Unearned premium reserve	-	-	1 596 452	1 562 523
	Incurred but not yet reported claims reserve	-	-	1 861 481	1 851 712
	Income received in advance	-	-	10 761 040	5 897 274
	Interest accrued on deposits	-	-	715 674	644 829
	Items in transit	4 076 716	4 077 791	2 780 988	3 079 692
	Accrued expenses and provisions	-	-	1 532 115	1 774 347
	Policyholders claims intimated but not paid	-	-	452 491	673 232
	Trade payables	14 165 185	10 094 450	7 638 519	8 496 513
		18 241 901	14 172 241	27 338 760	23 980 122
18.	**CURRENT TAX LIABILITIES**				
	Balance at beginning of year	-	-	453 884	245 194
	Recognised in profit or loss	-	-	794 225	961 922
	Tax payments	-	-	(1 116 000)	(753 232)
		-	-	132 109	453 884
19.	**DEFERRED TAX (ASSETS) / LIABILITIES**				
19.1	**Deferred tax**				
	Deferred tax asset	(1 625 949)	(2 164 485)	(1 765 869)	(2 384 127)
	Deferred tax liability	-	-	3 960 000	3 935 771
	Net deferred tax (assets) / liabilities	(1 625 949)	(2 164 485)	2 194 131	1 551 644

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	Balance at 1 January US$	Recognised in profit or loss US$	Recognised in OCI US$	Balance at 31 December US$
19.2. DEFERRED TAX				
GROUP				
2016				
Property and equipment	3 184 581	(911 801)	(24 085)	2 248 695
Fair value adjustments to financial assets	717 996	(39 093)	-	678 903
Assessed loss	(3 394 858)	894 845	-	(2 500 013)
Fair value gains on available for sale treasury bills	1 322 838	-	66 172	1 389 010
Other	(278 913)	656 449	-	377 536
	1 551 644	600 400	42 087	2 194 131
2015				
Property and equipment	3 100 537	126 437	(42 393)	3 184 581
Fair value adjustments to financial assets	2 756 274	(2 038 278)	-	717 996
Assessed loss	(4 996 595)	1 601 737	-	(3 394 858)
Prior year adjustment on fair value gains on available for sale treasury bills	-	-	1 322 838	1 322 838
Other	(940 543)	661 630	-	(278 913)
	(80 327)	351 526	1 280 445	1 551 644
COMPANY				
2016				
Property and equipment	171 227	(8 619)	-	162 608
Fair value adjustments to financial assets	4 812	2 527	-	7 339
Assessed loss	(2 340 524)	544 628	-	(1 795 896)
	(2 164 485)	538 536	-	(1 625 949)
2015				
Property and equipment	125 946	45 281	-	171 227
Fair value adjustments to financial assets	7 177	(2 365)	-	4 812
Assessed loss	(1 101 043)	(1 239 481)	-	(2 340 524)
	(967 920)	(1 196 565)	-	(2 164 485)

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY 31 Dec 2016 US$	COMPANY Restated 31 Dec 2015 US$	GROUP 31 Dec 2016 US$	GROUP Restated 31 Dec 2015 US$
20. LONG TERM BORROWINGS				
Long term loan	13 536 787	12 892 177	13 536 787	12 892 177
As previously stated	13 536 787	20 000 000	13 536 787	20 000 000
Prior year adjustments	-	(7 107 823)	-	(7 107 823)

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

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

The sensitivity in the loan balance at different rates is shown below:

	31 Dec 2016 US$	31 Dec 2015 US$	31 Dec 2016 US$	31 Dec 2015 US$
Rate:	Increase/ Decrease in loan balances		Increase/Decrease in profits	
3.93%	5 862 857	6 397 438	555 590	534 581
5.50%	7 647 415	8 291 388	679 392	643 974

	COMPANY 31 Dec 2016 US$	COMPANY Restated 31 Dec 2015 US$	GROUP 31 Dec 2016 US$	GROUP Restated 31 Dec 2015 US$
21. LIFE ASSURANCE FUNDS				
Balance at beginning of year	-	-	27 772 546	28 538 514
Changes in policyholders' liabilities	-	-	477 350	(765 968)
- Gross premium income	-	-	10 719 721	10 122 518
- Reassurance premium cost	-	-	(492 613)	(430 835)
- Investment and other income	-	-	907 001	(147 825)
- Benefits paid and surrenders	-	-	(4 465 307)	(4 715 137)
- Marketing and administration expenses	-	-	(4 968 552)	(4 971 627)
- Surplus distribution	-	-	(1 222 900)	(623 062)
Balance at end of year	-	-	28 249 896	27 772 546

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

21. LIFE ASSURANCE FUNDS (continued)

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

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

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

Life fund liabilities are supported by the following net assets:

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Listed equities	-	-	1 112 250	815 596
Unlisted equities	-	-	2 630 378	3 051 147
Gold fund	-	-	353 999	367 481
Government and public utilities stock	-	-	3 111 901	2 755 907
Investment properties	-	-	954 008	986 160
Funds on deposit	-	-	8 437 703	7 712 831
Equity accounted investments	-	-	11 524 823	11 922 029
Trade and other receivables	-	-	270 491	101 890
Non current assets held for sale	-	-	332 429	779 785
Gross assets	-	-	28 727 982	28 492 826
Less: Deferred tax liabilities	-	-	(120 472)	(124 527)
Trade and other payables	-	-	(352 896)	(571 954)
Income tax payable	-	-	(4 718)	(23 799)
Net assets	-	-	28 249 896	27 772 546

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

Expense Overrun Reserve

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

The EOR was run-off in full during 2016 due to the expense relief arising from the combined effect of increased business and cost control measures. The balance at 31 December 2015 was US$712 600.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

21. LIFE ASSURANCE FUNDS (continued)

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Balance at 1 January	-	-	27 772 546	28 538 514
Changes to policyholder liabilities	-	-	477 350	(765 968)
Expense overrun reserve movement	-	-	(725 643)	(778 511)
Transfer (to) / from shareholder	-	-	1 202 993	12 543
Balance at year end	-	-	28 249 896	27 772 546

22. EQUITY AND RESERVES

22.1 Share capital

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Company:				
Authorised:				
1 000 000 000 ordinary shares of US$0.01 each	10 00 000	10 000 000	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of US$0.01 each	1 751 906	1 751 906	1 751 906	1 751 906
Analysis of number of shares in issue				
Issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

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

	COMPANY Share capital US$	COMPANY Share premium US$	GROUP Share capital US$	GROUP Share premium US$
2015				
Balance at beginning of year	1 751 906	27 081 696	1 751 906	27 081 696
Balance at end of year	1 751 906	27 081 696	1 751 906	27 081 696

	COMPANY 31 Dec 2016 US$	COMPANY Restated 31 Dec 2015 US$	GROUP 31 Dec 2016 US$	GROUP Restated 31 Dec 2015 US$
22.3 Other components of equity				
General reserve (see note 22.3.1 below)	-	-	5 610 572	10 756 654
Properties and equipment revaluation reserve (see note 22.3.2 below)	-	-	12 287 546	13 498 927
Fair value gains on available for sale financial assets (see note 22.3.3)	-	-	4 005 204	3 814 397
	-	-	21 903 322	28 069 978
22.3.1 General reserves				
Balance at beginning of year	-	-	10 756 654	22 380 522
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(5 146 082)	(11 137 396)
Investment fluctuation reserves	-	-	-	(486 472)
Balance at end of year	-	-	5 610 572	10 756 654

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

22.3.1 General reserves (continued)

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

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

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

The adjustment for regulatory reserves in respect of doubtful debts in the current year arose from the synchronisation of security valuation for prudential purposes and that applied in the IFRS financial statements. Resultantly, regulatory provisions and IFRS provisions have been matched in respect of that aspect resulting in the release of excess regulatory provision of US$5.1m (2015: US$11.1m).

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
22.3.2 Property and equipment revaluation reserve				
Balance at beginning of year	-	-	13 498 927	14 432 643
Losses on property revaluation	-	-	(509 193)	(957 345)
Transfer from non-controlling interests	-	-	9 266	48 280
Deferred tax effect of property revaluation	-	-	24 085	42 393
Transfer to retained income [5]	-	-	(735 539)	(67 044)
Balance at end of year	-	-	12 287 546	13 498 927

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

[5] The transfer to retained income is in respect of owner occupied properties which were reclassified to investment properties due to reduced occupancy by the Group.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

22. EQUITY AND RESERVES (continued)

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
22.3.3 Available for sale financial assets				
Balance at the beginning of year	-	-	3 814 397	-
Fair value gains on the medium term treasury bills	-	-	256 979	5 137 235
Deferred tax effect of fair valuation on available for sale financial assets	-	-	(66 172)	(1 322 838)
- Current year	-	-	(66 172)	-
- Prior year adjustment	-	-	-	(1 322 838)
Balance at end of year	-	-	4 005 204	3 814 397

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

The prior year adjustment is in respect of deferred taxation for the fair value adjustment on available for sale financial instruments which was not included in the movements shown under comprehensive income for 2015 as indicated in note 2.3.

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
22.4 Retained income				
Balance at beginning of year	30 400 724	18 420 556	4 205 559	(16 562 779)
Profit attributable to equity holders of parent	10 178 630	11 980 168	9 947 438	8 986 539
- as previously reported	10 178 630	12 882 502	9 947 438	8 566 035
- prior year adjustments	-	(902 334)	-	420 504
Transfer from general reserves in respect of regulatory reserve for doubtful debts (note 22.3.1)	-	-	5 146 082	11 137 396
Transfer from other reserves [6] (notes 22.3.1, 22.3.2 and 22.5)	-	-	1 251 768	644 403
Dividends paid	(2 141 561)	-	(2 141 561)	-
Balance at end of year	38 437 793	30 400 724	18 409 286	4 205 559

Prior year adjustment is a result of the application of amortised cost accounting on the Capitalisation Treasury Bills as discussed in note 2.3.

[6] The transfer to retained income is in respect of owner occupied properties which were reclassified to investment properties due to reduced occupancy by the Group and investment fluctuation reserves.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
22.5 Non-controlling interest				
Balance at beginning of year	-	-	19 561 899	19 366 739
Profit attributable to non controlling interest	-	-	1 483 473	369 923
Decrease on revaluation of property	-	-	(9 266)	(48 280)
Transfer to retained income [7]	-	-	(516 229)	(90 887)
Dividends paid	-	-	(232 589)	(35 596)
Balance at end of year	-	-	20 287 288	19 561 899

GROUP	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
22.6 Tax effect relating to each component of other comprehensive income			
2016			
Losses on property revaluation	(509 193)	24 085	(485 108)
Fair valuation on available for sale financial assets	256 979	(66 172)	190 807
	252 214	42 087	294 301
2015			
Losses on property revaluation	(957 345)	42 393	(914 952)
Fair valuation on available for sale financial assets	5 137 235	(1 322 838)	3 814 397
	4 179 890	(1 280 445)	2 899 445

23. SHARE BASED PAYMENTS

There are no share based payments or share option schemes that are currently active.

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

[7] The transfer to retained income is in respect of owner occupied properties which were reclassified to investment properties due to reduced occupancy by the Group.

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

	COMPANY 2016 US$	COMPANY Restated 2015 US$	GROUP 2016 US$	GROUP Restated 2015 US$
24. NET INTEREST AND RELATED INCOME				
24.1 Interest and related income				
Interest and related income comprises interest on:				
Advances	-	-	9 502 816	17 429 654
Mortgages	-	-	1 316 903	1 088 754
Overdraft accounts	-	-	1 969 039	1 884 313
Trading income	-	-	13 592 781	6 008 367
Cash and short-term funds	-	-	320 828	1 138 026
Loans to other banks	-	-	674 422	793 026
Other	-	-	209 637	143 920
Total interest and related income	-	-	27 586 426	28 486 060
24.2 Interest and related expenses				
Interest and related expenses comprise interest on:				
Retail deposits	-	-	1 196 004	509 941
Fixed deposits	-	-	7 391 685	9 167 551
Short-term funds	-	-	9 000	93 057
Other interest payable categories	-	-	2 253 506	1 967 229
Total interest and related expenses	-	-	10 850 195	11 737 778
Net interest and related income	-	-	16 736 231	16 748 282
25. NET INSURANCE PREMIUM INCOME				
25.1 Gross insurance premium income				
Reinsurance business				
Facultative premium	-	-	10 120 025	12 373 611
Treaty premium	-	-	9 010 040	8 511 363
	-	-	19 130 065	20 884 974
Life assurance business				
Premium – single	-	-	394 425	705 248
Premium – recurrent	-	-	10 325 296	9 417 270
	-	-	10 719 721	10 122 518
Gross insurance premium income	-	-	29 849 786	31 007 492

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

		COMPANY		GROUP	
		2016 US$	Restated 2015 US$	2016 US$	Restated 2015 US$
25.2	**Insurance expenses**				
	Reinsurance business				
	Gross premium retroceded	-	-	5 225 117	6 520 284
	Movement in provision for unexpired risk	-	-	9 957	(76 834)
	Movement in provision for outstanding claims	-	-	180 304	(82 384)
	Net claims paid	-	-	6 678 478	6 682 374
	Commissions and fees	-	-	4 002 362	4 335 970
		-	-	16 096 218	17 379 410
	Life assurance business				
	Death and disability benefits	-	-	2 013 135	1 982 795
	Maturities	-	-	129 917	172 622
	Annuities	-	-	288 399	124 698
	Surrenders and Group pension withdrawals	-	-	2 033 856	2 260 994
	Reassurance premium cost	-	-	492 613	430 835
	Profit share	-	-	-	174 028
		-	-	4 957 920	5 145 972
	Total insurance expenses	-	-	21 054 138	22 525 382
	Net insurance premium income	-	-	8 795 648	8 482 110
26.	**OTHER OPERATING INCOME**				
	Commission and fees	-	-	34 625 351	33 001 743
	Exchange income / (loss)	-	-	448 000	(247 139)
	Dividends from investment securities	1 774 131	3 790	684 174	332 888
	Loss on disposal of property and equipment	-	-	(32 042)	(4 931)
	Loss on disposal of investments	-	-	-	(4 311)
	Rent received	-	-	1 156 449	1 297 087
	Cost recovery for shared services	8 285 054	9 250 336	-	-
	Management fees	324 036	844 232	-	-
	Other	-	-	1 645 175	3 994 709
		10 383 221	10 098 358	38 527 107	38 370 046

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	2016 US$	Restated 2015 US$	2016 US$	Restated 2015 US$
27. FAIR VALUE ADJUSTMENTS				
On financial instruments (note 9.3)	179 051	(523 760)	1 214 965	(1 960 433)
On investment properties (note 12)	2 000	(15 000)	(813 052)	(711 500)
On investment property held for sale (note 15)	-	-	(162 100)	-
On investment in subsidiaries (note 10.2)	8 511 331	9 431 822	-	-
	8 692 382	8 893 062	239 813	(2 671 933)
28. OPERATING EXPENSES				
Commission and fees	-	-	1 506 475	799 317
Staff expenses	3 400 221	3 409 889	20 165 338	20 945 130
Communication expenses	123 893	114 056	614 968	695 740
National Social Security Authority expenses	73 847	67 359	275 250	274 628
Pension fund expenses	287 403	272 542	1 287 869	1 313 374
Computers and information technology expenses	796 519	429 932	2 496 411	2 192 984
Occupation expenses	875 542	1 063 779	4 942 331	5 320 443
Transport expenses	330 799	273 116	1 109 648	1 232 675
Travelling expenses	250 437	238 693	619 310	727 695
Depreciation of property and equipment	144 826	147 105	2 611 709	2 394 186
Amortisation of intangible assets	23 343	23 797	2 946 883	1 809 040
Impairment of property and equipment	-	-	5 713	-
Impairment of intangible assets	-	-	-	24 229
Administration expenses	2 323 300	2 600 551	10 383 252	8 190 216
Directors fees	58 415	53 227	498 858	401 845
	8 688 545	8 694 046	49 464 015	46 321 502
Included in administration expenses are the following:				
Auditors' remuneration	54 934	35 803	492 262	334 756
- for current year audit	22 619	22 578	195 671	118 096
- for half year review	17 480	8 625	158 839	67 500
- for prior year final	14 835	4 600	137 752	159 160

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	2016 US$	Restated 2015 US$	2016 US$	Restated 2015 US$
29. INCOME TAX EXPENSE / (CREDIT)				
Current income tax	-	-	794 225	961 922
Deferred tax expense / (credit)	538 536	(1 196 565)	600 400	351 526
	538 536	(1 196 565)	1 394 625	1 313 448

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2015: 25.75 per cent) of the estimated taxable profit for the year.

	COMPANY		GROUP	
	2016 US$	Restated 2015 US$	2016 US$	Restated 2015 US$
Reconciliation of current income tax				
Profit before taxation	10 717 166	10 783 603	12 825 536	10 669 910
Expected tax on profits at basic rates	2 759 670	2 776 778	3 302 575	2 747 502
Increase / (reduction) arising from:				
- Exempt income	(456 839)	-	(3 778 976)	(2 043 993)
- Expenditure not allowed	101 453	173 970	16 620	540 643
- General provisions and deferred income	-	-	682 262	652 174
- Capital allowances in excess of depreciation	43 304	44 007	2 307 000	2 386 273
- Prepaid expenses	-	-	(4 445)	(31 821)
- Assessed loss utilised	140 242	-	230 423	-
- Fair value adjustments	(2 587 830)	(2 994 755)	(1 961 234)	(3 288 856)
	-	-	794 225	961 922

30. EARNINGS PER SHARE

GROUP

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted profit per share for the year ended 31 December 2016 of US6.32 cents (2015: US5.71 cents) is based on the attributable profit after tax of US$9 947 438 (2015: US$8 986 539) and weighted average number of shares of 157 522 902 (2015: 157 522 902).

COMPANY

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted profit per share for the year ended 31 December 2016 of US6.46 cents (2015: US7.61 cents) is based on the attributable profit after tax of US$10 178 630 (2015: US$11 980 168) and weighted average number of shares of 157 522 902 (2015: 157 522 902).

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
31. CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES				
Net cash from operating activities				
Profit before taxation	10 717 166	10 783 603	12 825 536	10 669 910
Non cash items:				
-Fair value adjustments on investment in subsidiaries(note 10.2)	(8 511 331)	(9 431 822)	-	-
-Fair value adjustments on equity investments(note 9.3)	(179 051)	523 760	(1 214 965)	1 960 433
-Fair value adjustments on investment properties(note 12.1)	(2 000)	15 000	813 052	711 500
-Fair value adjustments on non current assets held for sale	-	-	162 100	-
-Impairment on bank balances	-	-	627	189
-Depreciation of property and equipment	144 826	147 105	2 611 709	2 394 186
-Interest received	-	-	(27 586 426)	(28 486 060)
-Interest paid	-	-	10 850 195	11 737 778
-Dividend received	(1 774 131)	(3 790)	(684 174)	(332 888)
-Amortisation of intangible assets	23 343	23 797	2 946 883	1 809 040
-Impairment of intangible assets	-	-	-	24 229
-Impairment of property and equipment	-	-	5 713	-
-Loss on disposal of equipment	-	-	32 042	4 931
-Loss on disposal of investments	-	-	-	4 311
-Share of associate companies (loss) / profit	(330 108)	(486 229)	2 302 919	1 769 220
Operating cash flows before changes in working capital funds	88 714	1 571 424	3 065 211	2 266 779

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
31. CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES (continued)				
Operating cash flows before changes in working capital funds	88 714	1 571 424	3 065 211	2 266 779
Changes in working funds:				
(Reduction) / Increase in short term borrowings	(12 267 131)	4 307 886	-	-
Increase in money markets investments	-	-	(12 487 810)	(79 510 494)
(Increase) / decrease in other assets	(580 724)	1 126 266	14 567 489	(11 464 406)
Decrease in advances and other accounts	-	-	384 889	46 576 735
Increase in deposits and other accounts	-	-	5 574 806	13 149 361
Increase to amounts clearing to other banks	-	-	2 529 150	376 464
Increase / (decrease) in other liabilities	4 714 218	(10 934 774)	4 003 246	(8 863 852)
Decrease / (increase) in life assurance funds	-	-	477 350	(765 968)
Effects of exchange (losses) / gains	-	-	448 000	(247 139)
Fair value gains on available for sale financial instruments	-	-	256 979	5 137 235
Net cash (used in) / generated from operating activities	(8 044 923)	(3 929 198)	18 819 310	(33 345 285)

32 CUSTODIAL SERVICES

The Group used to provide trust services to individuals and institutions by holding assets (mainly share certificates) on behalf of customers. The business was transferred to CBZ Bank Limited on 31 October 2015. Assets under safe custody at the date of transfer were US$54 997 245.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

33. RELATED PARTY TRANSACTIONS

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

33.1 Lending to related parties

There were advances in favour of related parties as at the reporting date.

		COMPANY		GROUP	
		31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
33.1.1	Balances owing to subsidiary companies	17 764 336	15 120 866	-	-
33.1.1	Balances due from subsidiary companies	6 366 665	3 725 256	-	-
33.1.2	Short term investments with ZB Bank Limited	2 770 456	15 037 638	-	-
33.1.3	Income received from subsidiary companies	8 171 700	10 015 328	-	-

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

33.1.4 There were fixed deposits in favour of related parties as at the reported date.

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Balances with National Social Security Authority (NSSA)	-	-	2 147 000	3 267 570
Balances with ZBFH Pension Fund	-	-	4 739 792	3 740 922

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

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

33.1.5 Lending to other related parties

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Loans to employees	-	-	5 130 616	5 602 483

Loans to employees are carried at amortised cost, at interest rates ranging from 6% to 18% p.a and with repayment periods of one year to six years. The loans are fully secured against terminal benefits, and hence no allowance has been made for impairment.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

33.2 Remuneration of directors and key management personnel

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Directors' remuneration				
- fees by the Holding Company	58 415	53 227	58 415	53 227
- fees by subsidiaries	-	-	440 443	348 618
Short-term employee benefits to key management	-	-	3 018 613	2 995 074
	58 415	53 227	3 517 471	3 396 919

Key management includes members of the Group's Executive Committee, subsidiary companies management and holders of strategic position in the general management grade. The total number of staff included in those grades equaled 24 (2015: 23).

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
34. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS				
34.1 Contingent liabilities				
In respect of treasury bills held in trust held on behalf of customers (see note 7.4)	-	-	2 615 504	4 309 625
In respect of guarantees (see note 8.1)	-	-	5 508 563	7 194 422
	-	-	8 124 067	11 504 047
34.2 Capital commitments				
In respect of expenditure authorised and contracted	-	-	630 527	2 764 320
In respect of expenditure authorised but not contracted	-	-	4 014 400	3 478 607
	-	-	4 644 927	6 242 927

Capital commitments will be funded from operating cash flows.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

35. OPERATING LEASES COMMITMENTS

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
No later than 1 year	425 580	343 200	2 024 396	1 933 539
Later than 1 year and no later than 5 years	1 702 320	2 891 342	5 723 822	4 315 413

36. PENSION ARRANGEMENTS

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

36.1 ZB Financial Holdings Limited Pension Fund:

All members of the Group belong to a Defined Contribution scheme which is administered separately and whose assets are under the control of a board of trustees.

36.2 ZB Life Pension Fund:

All eligible employees are members of ZB Life Assurance Limited defined contribution pension scheme administered by the Company. The Company makes full contributions of 24% of pensionable earnings for managerial employees and 12% for non managerial employees who then contribute 6% to make a total contribution of 18%. The pension fund had a membership of 53 as at 31 December 2016 (2015: 53 members).

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Total expense recognised in profit or loss	287 403	272 542	1 287 869	1 313 374

36.2 National Social Security Authority

This Defined Contribution scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% of pensionable emoluments (2015: 3.5%) per month per employee. Contributions by the Group amounted to US$275 250 for the year ended 31 December 2016 (2015: US$274 628).

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

37.1 Capital risk management

The primary objectives in managing capital at the Group are:

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

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

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

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

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

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

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

37.2 Financial risk management

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

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

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

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

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

31 December 2016		CARRYING AMOUNT				FAIR VALUE			
	Notes	Designated at fair value US$	Loans and receivables US$	Other financial liabilities US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value									
Equity securities	9	5 134 100	-	-	5 134 100	5 134 100	-	-	5 134 100
Government public utility stock	9	4 570 234	-	-	4 570 234	-	-	4 520 234	4 570 234
Unit trusts	9	513 383	-	-	513 383	-	513 383	-	513 383
Unlisted equity investments	9	4 384 298	-	-	4 384 298	-	-	4 384 298	4 384 298
Total		14 602 015	-	-	14 602 015				
Financial assets not measured at fair value									
Trade and other receivables	11	-	3 841 129	-	3 841 129				
Cash and cash equivalents	5	-	82 193 499	-	82 193 499				
Total		-	86 034 628	-	86 034 628				
Financial liabilities not measured at fair value									
Trade and other payables	17	-	-	(27 338 760)	(27 338 760)				
Total		-	-	(27 338 760)	(27 338 760)				

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

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

31 December 2015	Notes	CARRYING AMOUNT				FAIR VALUE			
		Designated at fair value US$	Loans and receivables US$	Other financial liabilities US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value									
Equity securities	9	3 871 391	-	-	3 871 391	3 871 391	-	-	3 871 391
Government public utility stock	9	3 755 907	-	-	3 755 907	-	-	3 755 907	3 755 907
Unit trusts	9	473 947	-	-	473 947	-	473 947	-	473 947
Unlisted equity investments	9	4 509 715	-	-	4 509 715	-	-	4 509 715	4 509 715
Total		12 610 960	-	-	12 610 960				
Financial assets not measured at fair value									
Trade and other receivables	11	-	18 994 008	-	18 994 008				
Cash and cash equivalents	5	-	55 789 139	-	55 789 139				
Total		-	74 783 147	-	74 783 147				
Financial liabilities not measured									
Trade and other payables	17	-	-	(23 980 122)	(23 980 122)				
Total		-	-	(23 980 122)	(23 980 122)				

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.2 Definition of financial risk

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

37.2.2.1 Liquidity risk

Definition

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

Identification techniques

This risk is identified through gap and maturity analysis.

Measurement methods

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

Impact evaluation

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

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

Strategies for management/mitigation

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

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity gap analysis
As At 31 December 2016

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

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

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity gap analysis
as at 31 December 2015

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

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/(outflow) US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	57 954 264	858 728	-	-	58 812 992	55 789 139
Money market investments	2 682 026	8 903 841	-	-	11 585 867	11 093 782
Treasury bills	9 981 104	4 421 633	20 397 743	71 589 750	106 390 230	100 571 625
Mortgages and other advances	41 432 637	18 505 160	16 189 364	45 060 554	121 187 715	99 578 547
Investment securities	-	-	-	18 407 802	18 407 802	18 407 802
	112 050 031	32 689 362	36 587 107	135 058 106	316 384 606	285 440 895
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(191 274 108)	(37 105 636)	(12 401 129)	(42 408 460)	(283 189 333)	(269 697 449)
Amounts due to other banks	(606 211)	-	-	-	(606 211)	(606 211)
Trade and other payables	(6 040 509)	(8 908 413)	-	(9 031 200)	(23 980 122)	(23 980 122)
Long term loan	-	-	-	(12 892 177)	(12 892 177)	(12 892 177)
	(197 920 828)	(46 014 049)	(12 401 129)	(64 331 837)	(320 667 843)	(307 175 959)
Period gap	(85 870 797)	(13 324 687)	24 185 978	70 726 269	(4 283 237)	(21 735 064)
Cumulative gap	(85 870 797)	(99 195 484)	(75 009 506)	(4 283 237)	-	-

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
37.2.2.1 Liquidity risk (continued)				
Liquidity ratios				
Total liquid assets	-	-	206 346 718	167 454 546
Total liabilities to the public	-	-	275 272 254	269 697 449
Liquidity ratio	-	-	74.96%	62.09%
Average for the year	-	-	72%	49%
Maximum for the year	-	-	76%	73%
Minimum for the year	-	-	68%	29%
Minimum statutory liquidity ratio	-	-	30%	30%

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

	31 Dec 2016	31 Dec 2015
ZB Bank Limited	73%	73%
ZB Building Society	46%	46%

37.2.3 Market risk

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

37.2.3.1 Interest rate risk

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

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

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

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.3.1 Interest rate risk (continued)

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

Notes to Consolidated and Separate Financial Statements
For the year ended 31 December 2016

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2015	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Carrying amount US$
Interest rate gap analysis as at 31 December 2015					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	19 486 554	-	-	-	19 486 554
Money market investments	11 093 782	-	-	-	11 093 782
Mortgages and other advances	44 843 483	15 471 799	16 539 862	22 723 403	99 578 547
Treasury bills	9 334 617	4 072 387	18 786 612	68 378 009	100 571 625
	84 758 436	19 544 186	35 326 474	91 101 412	230 730 508
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(189 589 311)	(53 679 516)	(12 399 506)	(14 029 116)	(269 697 449)
	(189 589 311)	(53 679 516)	(12 399 506)	(14 029 116)	(269 697 449)
Period gap	(104 830 875)	(34 135 330)	22 926 968	77 072 296	(38 966 941)
Cumulative gap	(104 830 875)	(138 966 205)	(116 039 237)	(38 966 941)	-

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.3.1 Interest rate risk(continued)

Sensitivity analysis

A 2% change in the rate for rate sensitive assets would result in the reported profits being increased or decreased by US$3.8 million (2015: US$3.5 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits being increased or decreased by US$4.1 million (2015: US$4.2 million).

37.2.3.2 Foreign exchange risk

Definition

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

Identification techniques

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

Measurement methods

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

Impact evaluation

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

Strategies for management/mitigation

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management system

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.3.3 Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 31 December 2016 were as follows:

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Botswana pula	-	-	515 226	417 034
British pound	-	-	246 671	246 671
Japanese yen	-	-	-	29 482
Malawian kwacha	-	-	489	564
Euro	-	-	764 185	915 653
South African rand	-	-	2 413 041	2 114 821
Zambian kwacha	-	-	351	329
Total assets	-	-	3 939 963	3 724 554
Botswana pula	-	-	(155 960)	(282 429)
British pound	-	-	(60 001)	(60 611)
Euro	-	-	(35 347)	(19 007)
South African rand	-	-	(2 676 992)	(2 149 953)
Total liabilities	-	-	(2 928 300)	(2 512 000)
Net foreign currency position	-	-	1 011 663	1 212 554

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

Sensitivity analysis

A 10% change in exchange rates would result in the reported profit being reduced or increased by US$75 116 [2015: US$90 032] and equity being reduced or increased by US$101 166 [2015: US$121 255].

37.2.3.4 Equity price risk

Definition

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

Identification techniques

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

Measurement methods

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.3.4 Equity price risk (continued)

Impact evaluation

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

Strategies for management / mitigation

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

Adequacy and effectiveness of risk management system

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

Sensitivity analysis

A 10% increase / decrease in the value of listed shares as at 31 December 2016 would result in an increase / decrease of US$495 415 (2015: US$431 374) to the reported Group's profit and an increase / decrease of US$500 419 (2015: US$435 731) in equity.

37.2.4 Credit risk

Definition

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

Past due but not impaired loans:

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

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

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

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

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

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

Write off policy

The Group writes off a loan and any related allowances for impairment losses, when the Group's Credit Committee determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans write off decisions generally are based on a product specific past due status.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.4 Credit risk (continued)

Identification techniques

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

Measurement methods

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

Impact evaluation

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

Strategies for management / mitigation

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

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

The Group has issued financial guarantees in respect of clients graded 1 to 4, and for which the maximum amount payable by the Group, assuming all guarantees are called on is US$5 508 563 (2015: US$7 194 422).

Sensitivity analysis

A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by US$6 156 058 (2015: US$6 591 883) and the total assets in the statement of financial position reducing by US$8 908 912 (2015: US$9 539 629).

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.4 Credit risk (continued)

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

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Classification				
Good	-	-	87 839 062	93 351 862
Sub-standard	-	-	583 859	1 269 394
Doubtful	-	-	688 973	744 614
Loss	-	-	25 975 323	23 948 042
Total	-	-	115 087 217	119 313 912

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

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

	Loans and advances to customers		Investment securities	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Gross advances	109 578 654	112 119 490	-	-
Guarantees	5 508 563	7 194 422	-	-
Gross credit exposure	115 087 217	119 313 912	-	-
Less allowance for loan impairments	(6 684 196)	(9 153 069)	-	-
Less interest reserved	(3 700 800)	(3 387 874)	-	-
Investment securities	-	-	10 547 076	9 552 749
Carrying amount	104 702 221	106 772 969	10 547 076	9 552 749
Assets at amortised cost				
Non-performing - individually impaired				
Grade 8: Impaired	583 859	1 269 394	-	-
Grade 9: Impaired	688 973	744 614	-	-
Grade 10: Impaired	25 975 323	23 948 042	-	-
Gross amount	27 248 155	25 962 050	-	-
Allowance for:				
Impairment	(4 470 550)	(6 515 977)	-	-
Interest reserve	(3 595 738)	(3 288 389)	-	-
Carrying amount	19 181 867	16 157 684	-	-
Watch list - individually impaired:				
Grade 5: Impaired	1 793 021	1 866 789	-	-
Grade 6: Impaired	259 132	905 421	-	-
Grade 7: Impaired	339 090	182 053	-	-

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.2.4 Credit risk (continued)

	Loans and advances to customers		Investment securities	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Gross amount	2 391 243	2 954 263	-	-
Allowance for:				
Impairment	(171 016)	(226 480)	-	-
Interest reserve	(105 062)	(99 485)	-	-
Carrying amount	2 115 165	2 628 298	-	-
Good book - collectively impaired				
Grades 1-4: Low– fair risk	85 447 819	90 397 599	-	-
Gross amount	85 447 819	90 397 599	-	-
Allowance for:				
Impairment	(2 042 630)	(2 410 612)	-	-
Carrying amount	83 405 189	87 986 987	-	-
Neither past due nor impaired:				
Grades 1-4: low– fair risk	-	-	5 796 842	5 796 842
	-	-	5 796 842	5 796 842
Total carrying amount at amortised cost	104 702 221	106 772 969	5 796 842	5 796 842

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

	Loans and advances to customers		Investment securities	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Assets at fair value through profit and loss:				
Neither past due nor impaired:				
Grades 1-4: low–fair risk	-	-	4 570 234	3 755 907
Carrying amount – fair value	-	-	4 570 234	3 755 907
Total carrying amount	104 702 221	106 772 969	10 547 076	9 552 749

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.3 Other business risks

37.3.1 Operational risk

Definition

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

Identification techniques

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

Measurement methods

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

Impact evaluation

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

Strategies for management / mitigation

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

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

37.3.2 Legal, reputational and compliance risks

Definition

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

Identification techniques

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

Measurement methods

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.3.2 Legal, reputational and compliance risks (continued)

Impact evaluation

The Group considers this risk medium with the removal of the Group from the American sanctions listing being a major milestone.

Strategies for management through mitigation

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of the risk management system

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

37.3.3 Technological risk

Definition

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

Identification techniques

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

Impact evaluation

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

Measurement methods

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

Strategies for management/mitigation

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

Monitoring and controlling mechanisms

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.3.3 Technological risk (continued)

Adequacy and effectiveness of risk management systems

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

37.3.4 Solvency risk

Definition

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

Identification techniques

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

Impact evaluation

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

Measurement methods

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

Strategies for management/mitigation

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

Adequacy and effectiveness of risk management systems

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

37.3.5 Underwriting risk

Definition

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

Impact evaluation

The underwriting risk in reinsurance business would only materialize in the case of a catastrophe. The risk in case of a catastrophe has been reinsured and is limited to US$75 000 (2015: US$75 000) and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.3.5 Underwriting risk (continued)

Measurement methods

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

Strategies for management/mitigation

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

Details of underwriting risk in reinsurance business are as follows:

	COMPANY		GROUP	
	31 Dec 2016 US$	Restated 31 Dec 2015 US$	31 Dec 2016 US$	Restated 31 Dec 2015 US$
Total insurance risk before retrocession	-	-	6 000 000	6 000 000
Retroceded risk	-	-	(5 000 000)	(5 000 000)
Insurance risk after reinsurance	-	-	1 000 000	1 000 000

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.4 Risk rating

37.4.1 Regulatory risk rating

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

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

ZB Bank Limited and ZB Building Society were assessed using the Risk Assessment System (RAS) and the CAMELS [8] rating model.

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

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

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

Summary of Risk Assessment

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

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

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.4.1 Regulatory risk rating(continued)

Overall Risk Matrix – ZB Bank Limited

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

Overall Risk Matrix – ZB Building Society

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

Interpretation of risk matrix

Level of Inherent Risk

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

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

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.4.1 Regulatory risk rating (continued)

Adequacy of Risk Management Systems

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low -would be assigned to low inherent risk areas. Moderate risk areas may be assigned alow composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result ina moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk

Increasing- based on the current information, risk is expected to increase in the next twelve months.
Decreasing - based on current information, risk is expected to decrease in the next twelve months.
Stable- based on the current information, risk is expected to be stable in the next twelve months.

37.4.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR)[9] and the ratings for the last three (3) years were as follows:

[9] GCR suspended short-term bank ratings in Zimbabwe from 2006 owing to the volatility of the economic environment. At the same time, all long-term ratings were placed on rating watch due to the resultant pricing risk attached to the potential roll-over of government debt, the impact that this would have on profitability across the sector and ultimately the ability to meet new capital requirements.

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2016

37.4.2 External credit ratings (continued)

Long-term debt rating scale:

Entity	2016	2015	2014
ZB Bank Limited	BB-	B+	BBB+
ZB Building Society	BB	BB	BBB-
ZB Reinsurance Company	A-	BBB+	BBB+

The ratings for ZB Bank Limited and ZB Building Society expire in September 2017, whilst the rating for ZB Reinsurance expires in May 2017.

38. COMPLIANCE WITH REGULATIONS

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of US$25 million and US$20 million respectively as at 31 December 2016. Intermarket Banking Corporation Limited (IBCL) and ZB Building Society (ZBBS) did not meet these requirements during the year under review.

The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

39. SUBSEQUENT EVENTS

There were no material events between the period end and the date of reporting.

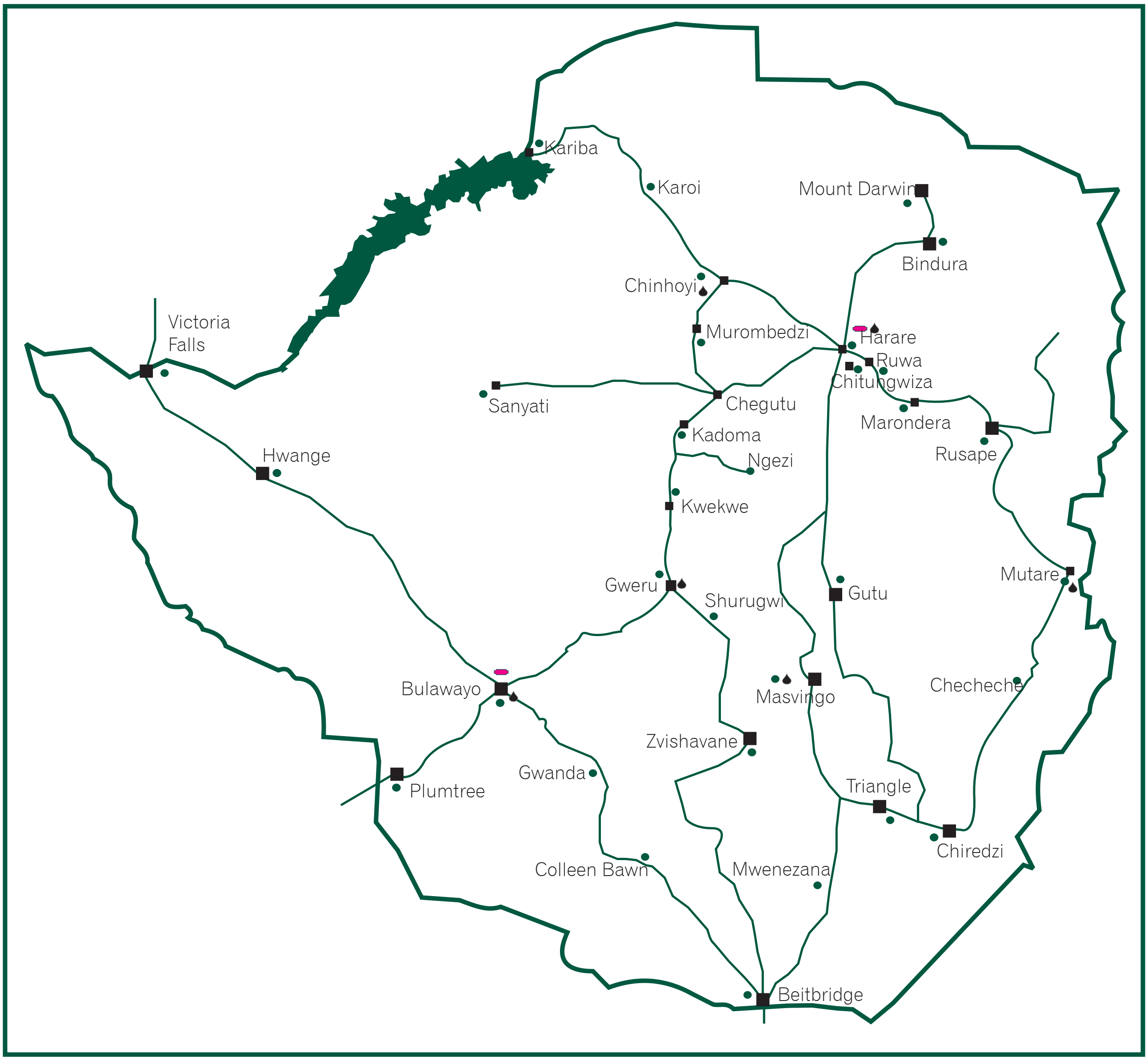
40. GOING CONCERN

The Board has reviewed budgets for 2017 and beyond and the cash flow projections for the Group. The Board does not have any reason to conclude that the Group will not be a going concern for the foreseeable future.

The going concern assumption has therefore been applied in the preparation of the financial statements.

ZB Financial Holdings Group Footprint

For the year ended 31 December 2016



KEY

- Banking operations
- ZB Reinsurance
- ZB Life Assurance

NB: Banking operations include both ZB Bank and ZB Building Society.

ZB Financial Holdings Group Footprint

For the year ended 31 December 2016

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

ZB BANK UNITS

Managing Director's Office
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Head Corporate and Investment Banking
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Credit Services Bulawayo
Cnr Fife Street and 10th Avenue
PO Box 849
Bulawayo
Telephone: (09) 888501/5, 75031/9
Fax: (09)75030,76032
E-mail: info@zbco.zw
Web address: www.zb.co.zw

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

Head Treasury
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Investment Banking
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Head Retail Banking
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

International Business and Trade Finance
21 Natal Road
Avondale
Harare
Telephone: +263 (0) 867 700 2001
E-mail: zb@zb.co.zw
Facsimile: +263 - 4 - 251029
Web address: www.zb.co.zw

Electronic Banking
Cnr Robert Mugabe Road/Chinhoyi Street
P O Box 3198
Harare
Tel: (04) 781361/6
Fax: (04) 751869

RETAIL BANKING UNITS

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

Airport Branch
Harare International Airport
P O Box 4189
Harare
Telefax: 575364

Avondale Branch
Riverside Walk
King George Way
P O Box A92
Avondale
Harare
Tel: (04) 334281/4
Fax: (04) 302798

Borrowdale Branch
34 Sam Levy Village
P O Box BW480
Borrowdale
Tel: (04) 885686/8
Fax:- (04) 883262

ZB Financial Holdings Group Footprint

For the year ended 31 December 2016

Chisipite Branch
2 Hind House
P Box CH 233
Chisipite
Harare
Tel: (04) 495145/61
Fax: (04) 495161

Douglas Road Branch
Lytton/Douglas Roads
P O Box ST491
Southerton
Harare
Tel: (04) 772181/772182
Fax: (04) 772183

Electronic Transactions Centre
Ground Floor, ZB Centre
Harare
Tel: (04) 796849
Fax: (04) 774303

First Street Branch
46 Speke Avenue
ZB House
P O Box 3198
Harare
Tel: (04) 757471/9 757535/40
Fax: (04) 752211

Gazaland
5986- 237 Street
Western Triangle
Highfield
Harare
Tel: 0772 453 455

Graniteside Branch
27B, Cripps Road
Graniteside
Harare
Tel: (04) 772062/5
Tel/Fax: (04) 772062

High Glen
1027, Glenview Complex
Glenview
Harare
Tel: +263 (0) 8677002001

Longcheng
Shop 99-100
Longcheng Plaza Complex
Cnr Mutley Bend/Samora Machel West Avenue
Belvedere
Tel: +263 (0) 8677002001

Msasa Branch
Colonade Complex Beverley West
P O Box AY160
Amby
Tel: (04) 486427/9
Fax: (04) 486427/9

Premier Tobacco Branch
334. Affirmative Way
Willowvale
Harare
Tel: 611240

Rotten Row Branch
Kaguvi St/Kwameh Nkrumah Avenue
P O Box 1374
Harare
Tel: (04) 774281/9, (04) 774303/9
Fax: (04) 774281 Ext 6012

Ruwa
Stand No. 428
Bay 1 Maha
Ruwa
Tel: (0273) 2691

Siyaso
Block 33, Siyaso
Mbare
Harare
Tel: 0777 939 270, 0772 308 532

Tobacco Sales Floor Branch
161 Eltham Road
Gleneagles Road
Willowvale
Harare
Tel: 621621
Fax: 621639

Westend Branch
Cnr Robert Mugabe Road/Chinhoyi Street
P O Box 3198
Harare
Tel: (04) 781361/6
Fax: (04) 751869

Belmont Branch
10 Birmingham Road
P O Box 8025
Bulawayo
Tel (09) 61795/7
Fax: (09) 889579

Bulawayo Polytechnic
Corner 12th Street and Park Road ,
Bulawayo
Tel:(09) 231422/424

Fife Street Branch
Cnr Fife Street/10th Avenue
P O Box 849
Bulawayo
Tel: (09) 888501/6
Fax: (09) 75030

Jason Moyo Branch
Old Mutual Centre
Cnr Jason Moyo St/8th Avenue
P O Box 2148
Bulawayo
Tel: (09) 882491/9
Tel: (09) 68801

Beitbridge Branch
Bloomfield Centre
P O Box 250
Beitbridge
Tel: (0286) 22641
Fax: (0286) 22817

ZB Financial Holdings Group Footprint

For the year ended 31 December 2016

Colleen Bawn Branch
Stand No. 90
P O Box 40
Colleen Bawn
Tel: (0284) 24445/6
Fax: (0284) 24445

Gwanda Branch
Shop No. 8, NSSA Complex,
P O Box 371
Gwanda
Tel: +263 (0) 8677002001

Hwange
Coronation Drive
Hwange
P. O. Box 191
Tel: (0281) 23208 / 22444 / 23587
Cell: 0774 144 281

Plumtree Branch
Kingsway Drive
P Bag 5924
Plumtree
Tel: (019) 2282/2410

Victoria Falls Branch
P O Box 100
Livingstone Way
Victoria Falls
Tel: (013) 44541/2
Fax: (013) 42070

Gweru Branch
36 R. Mugabe Way
P O Box 736
Gweru
Tel: (054) 222501/4
Fax: (054) 225938

Kadoma Branch
42 R. Mugabe Street
P O Box 430
Kadoma
Tel: (068) 22112/4

Kwekwe Branch
Cnr 3rd Avenue/ R. Mugabe Street
P O Box 478
Kwekwe
Tel: (055) 22813/4
Fax: (055) 24124

Midlands State University Campus
Senga Road
Gweru
Tel: (054) 260622

Sanyati Branch
Stand 39/42
P Bag 2002
Sanyati
Tel:- (0687) 2507/9

Shurugwi Branch
287/288 Beit Street
Shurugwi
Tel: (052) 6813 & 6604

Zvishavane Branch
86 Fowler Avenue
Zvishavane
P O BOX 7
Zvishavane
Tel:- (051) 2934
Telefax (051) 2934

Marondera Branch
Ash Street
P O Box 414
Tel: (079) 24001/1

Mutare Branch
88 Herbert Chitepo Street
P O Box 646
Mutare
Tel: (020) 63587
Fax: (020) 68673

Rusape Branch
20 Herbert Chitepo Street
Box 234
Rusape
Tel: (025) 2395/2336

Chiredzi
350 Chilonga Drive
Chiredzi
Tel: (031) 3116 / 2746
Cell: 0772 405 649

Gutu Branch
Stand 362/3 Mpandawana
P O Box 19
Gutu
Tel: (030) 2564/66

Masvingo Branch
Electricity House
R. Mugabe Street
P O Box 600
Masvingo
Tel: (039) 262856/7
Fax:(039) 265285

Mwenezana Branch
P O Box 60
Mwenezana Estates
Mwenezi
Cell: 0772 420 828
Fax: 014/273

Triangle Branch
Ground Floor, Vernon Crooks Court
Triangle
Tel: (033) 6992
Fax: (033) 6993

Chinhoyi Branch
Stand 47 Magamba Way
P O Box 399
Chinhoyi
Tel: (067) 22274, 23146
Fax: (067) 25845

Chinhoyi University
78, Off-Harare Chirundu Road
Chinhoyi
Tel: (067) 28541/28527

ZB Financial Holdings Group Footprint

For the year ended 31 December 2016

Karoi Branch
No. 3 Rose Way Road
Karoi
Tel: (064) 7350/1

Kariba Branch
Stand No. 636, Nyamhunga T/Ship
P O Box 270
Kariba
Tel: 061-3101/3102/3043-4
Fax: 061-2892

Murombedzi Branch
Murombedzi Township
P O Box 100
Murombedzi
Tel: (0678) 2133/2131
Fax: (0678) 2133

Ngezi Branch
Old Mutual Complex
Shop no 6
Turf Village, Ngezi
Cell: 0772 415 175

Bindura
28 Robert Mugabe Road
Bindura
Tel: (0271) 6373 / 6870
Cell: 0772 990 266

Mt Darwin Branch
Cnr Hospital/Bindura Road
P O Box 110
Mt Darwin
Tel: (076) 2532, 335
Fax: (076) 2633

ZB LIFE ASSURANCE LIMITED

Head Office
ZB Life Towers
Sam Nujoma Street /Jason Moyo Avenue
P O Box 969
Harare
Telephone: 708801/09
E-mail: info@zblife.co.zw
Website: www.zb.co.zw

Bulawayo
ZB Life Centre
90 Main Street
P O Box 517
Bulawayo
Tel: (09) 65632
Fax: (09) 71002
Bulawayo@zblife.co.zw

Gweru
Intermarket Place
36 – 6th Street
P O Box 1931
Gweru
Tel: (054) 227826
gweru@zblife.co.zw

Harare
Chiyedza House
Frist Street/Kwame Nkrumah Avenue
P O Box 969
Harare
Tel: (04) 708891/706441
info@zblife.co.zw

Mutare
ZB Life Centre
First Avenue
P O Box 598
Mutare
Tel: (020) 62285
Fax: (020) 64084
mutare@zblife.co.zw

ZB BUILDING SOCIETY

First Street
15 George Silundika Avenue
Harare
P. O. Box 2594
Tel: 777 779-82 / 758 275
Cell: 0773 668 853
Fax: 780916
Website: www.zbbs.co.zw

Chitungwiza
Shop No. 5
Old Mutual Complex
Chitungwiza
Tel: (0270) 22281
Cell: 0772 606 905
Website: www.zbbs.co.zw

Bulawayo Main
8th Avenue & Main Street
Bulawayo
Tel: (09) 68583-4
Cell: 0772 268 136
Fax: (09) 76759
Website: www.zbbs.co.zw

Finsure House
Corner Sam Nujoma/Kwame Nkurumah Avenue
Harare
Tel: (04) 253758 / 253059
Cell: 0773 668 818
Fax: (04) 702233
Website: www. zbbs.co.zw

ZB Financial Holdings Group Footprint

For the year ended 31 December 2016

ZB REINSURANCE

Head Office

Finsure House
5th Floor
Sam Nujoma Street/Kwame Nkrumah Avenue
P O Box 2594
Harare
Telephone: 759735-7
Facsimile: 751877
E-mail: info@zbre.co.zw
Website: www.zb.co.zw

Bulawayo Office

2nd Floor ZB Centre
9th Avenue
Bulawayo
Tel: (09) 65631/3
Fax: (09) 71002
E-mail: info@zbco.zw
Website: www.zb.co.zw

ZB CAPITAL (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029

ZB TRANSFER SECRETARIES (PRIVATE) LIMITED

21 Natal Road
Avondale
Harare
Tel: +263 (0) 8677002001
Fax: +263 (04) 251029

Proxy Form

I/We ....

....

of..

.... being (a) member(s) of

ZB Financial Holdings Limited entitled to ....

.... votes/shares held, do hereby appoint ....or failing whom, the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of members of the Company to be held in the Boardroom, Ground Floor, 21 Natal Road, Avondale, Harare, on Friday 12 May 2017, commencing at 1030hrs, and any adjournment as follows:

ORDINARY BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
1	Ordinary	To receive, consider, and adopt if appropriate, the financial statements and the reports of the directors and auditors for the year ended 31 December 2016.			
2	Ordinary	To confirm the final dividend of 1.26 cents per Ordinary Share as recommended by the Board.			
3	Ordinary	To elect directors for the Company:- i) Messrs T.P.B Mpofu, E Munemo, E Hamandishe and Ms T.I Chirisa resigned from the Board after the last Annual General Meeting. ii) In terms of Articles 62 of the Company's Articles of Association, the following directors were appointed to the Board after the last Annual General Meeting of the Company and, being eligible, offer themselves for election at the meeting: Name / Date appointed			
		a) O. Akerele — 13 May 2016			
		b) Mr M Mahachi — 5 August 2016			
		c) Prof. Z Muranda — 5 August 2016			
		d) Mr N M Vingirai — 5 August 2016			
		e) Mr O Matizanadzo — 8 December 2016			
		f) Dr J D G Nhavira — 8 December 2016			
		g) Mr S Bvurere — 17 February 2017			
		h) Prof. C Manyeruke — 17 March 2017			
		i) Mr R Mbaiwa — 17 March 2017			
4	Ordinary	To approve the remuneration of the Directors for the past financial year.			
5	Ordinary	5.1 To approve the remuneration to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year's audit, in terms of Article 112 of the Articles of the Company. 5.2 To re-appoint Deloitte & Touche (Zimbabwe) as the Company's auditor for the ensuing year.			

Proxy Form (continued)

SPECIAL BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
6	Ordinary	To consider and if deemed fit, to pass resolutions in respect of the following matters: 6.1 The propriety of the payment by the Company of a dividend claim in the sum of US$658 699 to Transnational Holdings Limited (THL) on 23 January 2017. (See note1). 6.2 The claim by THL to be issued with a further 10 876 184 shares in the Company. (See note 2). 6.3 To receive a report on a corrective order issued to the Company by the Reserve Bank of Zimbabwe on 7 March 2017. (See note 3).			

ANY OTHER BUSINESS

Resolution Number	Type of Resolution	Provision of the Resolution	In favour of	Against	Abstain
7	Ordinary	To transact any other business as may be transacted at an Annual General Meeting.			

Please indicate with an “X” in the spaces provided how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain at his/her own discretion.

Signed at .... on the .... day of ....2017.

Full name(s) ....

Signature(s) of member(s) ....

GENERAL NOTES:

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

i) To be valid, the form of proxy should be completed and returned to the Company Secretary, Ground Floor, 21 Natal Road, Avondale, Harare and should be received at least 48 hours before the scheduled time of the Annual General Meeting.

ii) Completion of the form of proxy does not preclude a person from subsequently attending and voting in person at the Annual General Meeting.

Proxy Form (continued)

NOTES IN RESPECT OF SPECIAL BUSINESS (RESOLUTION NUMBER 6):

1. THL's Dividend Claim

On 31 May 2016, the Government of Zimbabwe (GoZ) entered into an agreement with Transnational Holdings Limited (THL). The effective date of the agreement was the date of its signing i.e. 31 May 2016.

In terms of the agreement, the GoZ agreed to transfer 19.79% out of its 23.50% shareholding in the Company's issued shares, to THL. The GoZ retained 3.71% of the issued share capital of the Company.

A copy of the agreement document was received at the offices of the Company on 27 June 2016. The covering letter did not contain any instructions regarding payment of any dividend due to GoZ.

At the last AGM of the Company held on 27 May 2016, payment of a dividend to shareholders for the year ended 31 December 2015, was approved.

The record date for the dividend payment was 17 June 2016. The dividend was paid to shareholders in the Company's register on 28 June 2016. As at that date, GoZ was still the registered shareholder of the 23.50% issued shares in the Company.

The 19.79% which, according to the agreement between GoZ and THL, was to be transferred to THL, was only registered in THL's name on 6 February 2017.

THL claimed the dividend on the basis that according to its agreement with GoZ, the risk and profit on the shares to be transferred to THL, was held by THL from 31 May 2016.

The Company paid the dividend to GoZ, because as at the date of the payment, GoZ was the registered holder of the shares.

The board has requested GoZ to refund the dividend paid to it but no response has as yet been received from the GoZ and no liability has been admitted by GoZ.

2. THL's claim of 10 876 134 shares

On 2 March 2007, the Company held an EGM. The EGM followed a High Court sanctioned scheme of arrangement for the Intermarket Holdings Limited (IHL) Group of companies.

At the EGM an optional offer of ZBFH shares was made to IHL's minority shareholders. At that time, THL then held 15.61% of the issued share capital of IHL. The optional offer of ZBFH shares entitled THL to 10 876 134 shares in the Company, being 6.21% of the issued shares.

In terms of the scheme document for the EGM, all IHL shareholders, including THL, had until 23 March 2007, to accept the offer to swap their IHL shares for ZBFH shares. THL did not accept the offer until it lapsed.

The agreement between GoZ and THL was premised on the belief that the offer to THL of a 6.21% shareholding in the Company was still available and could be accepted by THL.

This belief may have been partly based on Note 8 of the Scheme document for the EGM.

The note reads as follows:

"ZB Financial Holdings Limited is bound in terms of the Offer to accept only those IHL shares surrendered in terms of the Offer. However, ZB Financial Holdings Limited reserves the right, without prejudice to its other rights, to condone the non-observance by any IHL shareholder of any of the terms of the Offer."

If the Company agrees to condone THL's non-compliance with the terms of the 2007 scheme, the Company would have to issue 10 876 134 shares to THL as a new issuance of shares.

The net effect would be a dilution of 5.8% of the existing shareholders.

3. Corrective Order

The corrective order issued by RBZ related to matters mostly of a corporate governance nature.

The matters have largely been attended to, but the following remain to be resolved:

a. *Refund of the dividend to the Company by THL. THL is contesting the claim for the refund.*
b. *Appointment of independent non-executive directors and the constitution of Board Committees for the Company.*
c. *The position regarding executive appointments.*