ZB FINANCIAL HOLDINGS

ANNUAL REPORT 2018

Achieve your financial freedom

Contents

VISION, MISSION AND VALUES

OUR VISION

- To be a leading global financial services Group.

OUR MISSION

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

OUR CORE VALUES

- Accountability
- Empathy
- Excellence
- Innovation
- Integrity

CORPORATE INFORMATION

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

Company Registration Number
1278/89

Date of Incorporation
29 May 1989

Group Company Secretary
H R Nharingo

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

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

Notice to Shareholders

Notice is hereby given that the 30th 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 28 June 2019, 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 2018.

2. Dividend
   To confirm the final dividend of ZWL1,57 cents per Ordinary Share as recommended by the Board.

3. Directorate

3.1. In terms of Article 68 of the Company's Articles of Association, Professor Charity Manyeruke and Mr Terekuona Sydney Bvurere retire by rotation and, being eligible, offer themselves for re-election at the meeting.

3.2. Mrs Agnes Makamure, Mr Kangai Maukazuva and Ms Thenjiwe Sibanda were appointed to the Board after the last Annual General Meeting of the Company, and retire at the end of the meeting in terms of Article 62 of the Company's Articles of Association. Being eligible, they offer themselves for re-election.

3.3. The profiles of these directors are available on request.

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

5. External Auditors

5.1. To approve the remuneration to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year's audit in terms of Article 112 of the Articles of the Company.

5.2. To re-appoint Deloitte & Touche (Zimbabwe) as the Company's auditor for the ensuing year.

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

Appointment of Proxy
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.

Electronic Distribution
The electronic copies of the Company's 2018 Annual Report and the financial statements and Directors' and Auditors' Reports for the financial year ended 31 December 2018, have been emailed to those shareholders whose email addresses are on record. These documents are also available on the Company's website on the following link: https://www.zb.co.zw/investor-updates/annual-reports/

BY ORDER OF THE BOARD

H. R. Nharingo
GROUP SECRETARY

REGISTERED HEAD OFFICE
21 Natal Road
Avondale
HARARE
07 June 2019

Shareholder Information

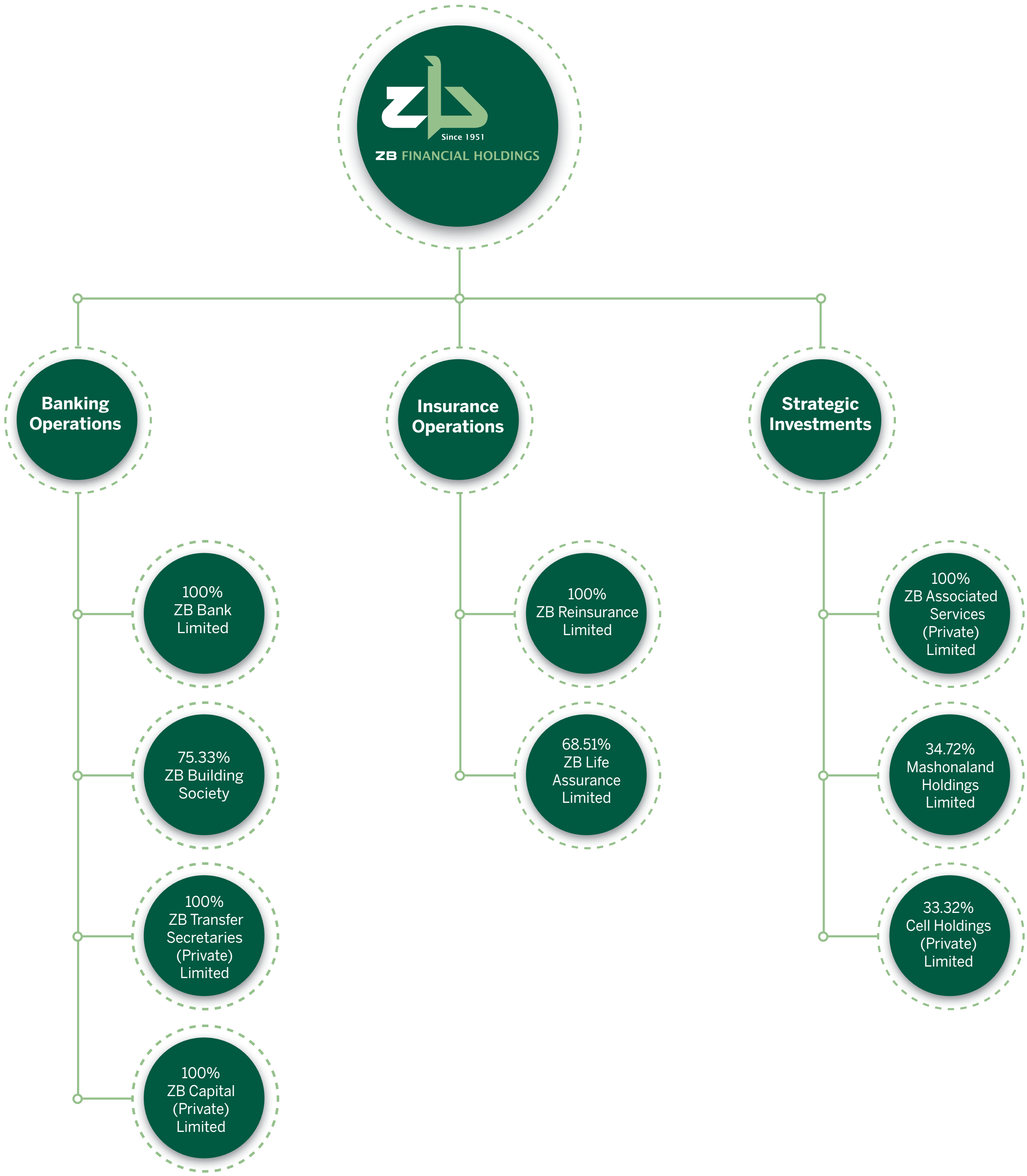
ANALYSIS OF SHAREHOLDERS as at 31 December 2018 Size of shareholding	No of Holders	% of Total Holders	No of Shares	% of Total shares
1-500	230	16.56	48 087	0.03
501-1000	462	33.26	264 849	0.15
1001-10000	355	25.56	1 478 416	0.84
10001-20000	208	14.97	2 934 909	1.68
20001-50000	79	5.69	2 120 476	1.21
50001-100000	8	0.58	558 364	0.32
100001-500000	26	1.87	5 660 929	3.23
500001-10000000	17	1.22	30 537 604	17.43
+10000001	4	0.29	131 587 008	75.11
Totals	1 389	100.00	175 190 642	100.00

ANALYSIS BY CATEGORY Category	No of Holders	% of Total Holders	No of Shares	% of Total shares
COMPANIES	125	9.00	151 830 342	86.67
FCDA RESIDENT AND NEW NON RESIDENT	19	1.37	168 806	0.10
INDIVIDUALS	1 181	85.03	12 841 024	7.33
INSURANCE COMPANIES	3	0.22	103 560	0.06
INVESTMENT, TRUST AND PROPERTY COMPANIES	9	0.65	509 578	0.29
NOMINEE COMPANY	25	1.80	5 061 920	2.89
PENSION FUNDS	27	1.93	4 675 412	2.66
Totals	1 389	100.00	175 190 642	100.00

TOP TEN SHAREHOLDERS AS AT 31 DECEMBER 2018 Shareholder's Name	No of Shares	% Shareholding
NATIONAL SOCIAL SECURITY AUTHORITY	66 196 080	37.79
TRANSNATIONAL HOLDINGS LIMITED	37 557 626	21.44
ZB FINANCIAL HOLDINGS LIMITED	17 667 740	10.08
OLD MUTUAL LIFE ASSURANCE OF ZIMBABWE LIMITED	10 165 562	5.80
MASHONALAND HOLDINGS LIMITED	5 281 975	3.01
FINHOLD GROUP STAFF TRUST	5 273 438	3.01
GOVERNMENT OF ZIMBABWE	3 619 575	2.07
LHG MALTA HOLDINGS LIMITED	3 100 096	1.77
GURAMATUNHU FAMILY TRUST	2 633 917	1.50
MINISTRY OF FINANCE	2 009 157	1.15
Total Holding of Top 10 Shareholders	153 505 166	87.62
Remaining Holding	21 685 476	12.38
Total Issued Shares	175 190 642	100.00

Group Corporate Structure

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



Company and Product Profile

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

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

ZB Bank Limited

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

Products and Services

Retail Banking

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

Micro-banking

- Micro business loans
- Savings accounts
- Advisory

Electronic Banking

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

Corporate Banking

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

Treasury and Investments

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

International Banking

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

Company and Product Profile (continued)

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.

Products and Services

Savings products

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

Investments Products

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

Mortgage Products

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

ZB Capital (Private) Limited

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

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

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

ZB Life Assurance Limited

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

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

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

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

Company and Product Profile (continued)

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

Employee Benefits Products
ZB Life provides a unique offering in retirement benefits, through designing and managing:
- Employer sponsored occupational pension arrangements covering defined benefit and defined contribution plans as well as hybrids of the two.
- Group insured benefits schemes from group life assurance, group mortgage protection, group credit life assurance solutions right through to group funeral assurance plans.

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

Consultancy service areas include
- Administration or secretarial
- Actuarial
- Insured risk benefits underwriting
- Investment

ZB Reinsurance Limited

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

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

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

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

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

ZB Transfer Secretaries (Private) Limited

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

ZB Associated Services (Private) Limited

This entity provides a wide range of security services to Group and non - Group customers. The entity was incorporated on 17 December 2009 and is 100% owned by ZBFH. Its services include:
- Cash in transit (CIT) services
- Guard services
- Investigations
- Security advisory services

Company and Product Profile (continued)

Associate Companies

Mashonaland Holdings Limited (Mash)

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

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

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

Cell Insurance Company (Private) Limited (Cell)

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

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

Products

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

Corporate Evolution Ladder

2008

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

ZB SECURITIES (PRIVATE) LIMITED

2007

CELL INSURANCE COMPANY (PVT) LTD

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

2007

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

Since 1951 ZB FINANCIAL HOLDINGS

2006

Since 1951 ZB FINANCIAL HOLDINGS

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

2004

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

SYFAM Syfrets corporate and merchant bank

1996

Sybank

Sybank was merged into Zimbank

1990

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

CONTINENTAL CAPITAL (PRIVATE) LIMITED

1989

FINHOLD ZIMBABWE FINANCIAL HOLDINGS LIMITED

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

Corporate Evolution Ladder (continued)

1981

Zimbank

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

1979

Company changed name to Rhobank

RHOBANK

1974

SYFRETS TRUST & EXECUTOR LIMITED

Acquired the entire shareholding of Syfrets Trust & Executor Limited

1972

Company changed name to Rhodesian Banking Corporation Limited

RHODESIAN BANKING CORPORATION LIMITED

1970

ALEXANDERFORBES

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

1967

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

Scotfin

1951

NETHERLANDS BANK OF SOUTH AFRICA

Foreign branch of Netherlands Bank of South Africa was opened in Salisbury (now Harare).

Corporate Governance Report

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

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 Societies Act [*Chapter 24:02*], the Insurance Act [*Chapter 24:07)*], any regulations made under these acts, general laws governing trade in Zimbabwe, and the provisions of its own Memorandum and Articles of Association.

THE BOARD OF DIRECTORS

The Composition of the Board

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

In its drive to deepen and strengthen its compositions vis-à-vis skills and diversity, the Board appointed three additional Non-Executive Directors with effect from 1 March 2019, namely, Mrs Agnes Makamure, Mr Kangai Maukazuva and Ms. Thenjiwe Sibanda. In line with the Group's articles of association, these directors, having been appointed during the year, will resign at the Group's 2019 Annual General Meting (AGM). Being eligible, the three directors offer themselves for re-election.

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 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 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 focuses on their duties and responsibilities to the Company and its stakeholders. The Directors are informed of any new relevant legislation and changing commercial risks that affect the company.

Directors are aware that they are entitled to seek independent professional advice, where necessary and at the company's expense, on the affairs of the company in the furtherance of their duties. All directors have access to the company secretary who is responsible to the Board as a whole for ensuring 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 standing Committees:

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

The Group's Risk Committee was assigned the responsibility to oversee the Group's governance framework and was renamed "Governance, Risk and Compliance Committee".

The Audit Committee

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

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

The Information Technology (IT) Committee

The Committee comprises three non-executive directors.

Its terms of reference include:

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

Corporate Governance Report (continued)

The Human Resources and Remuneration Committee

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

a. To review and determine on a regular basis remuneration policies and conditions of service for employees of the Group;

b. To monitor adherence to approved Human Resources policies of the Group;

c. To determine the remuneration levels and conditions of service of all employees falling under the executive grade of the Group;

d. To receive for consideration and approval if deemed appropriate, proposals of reviews of salaries and conditions of services for employees of the Group;

e. To receive information from management on a regular basis on the prevailing salaries and conditions of service of employees in the financial services sector generally, for purposes of comparison with the Group's own salaries and conditions of service.

The Nominations Committee

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

a. To lead the process of identifying, assessing, and recommending to the Board, candidates for appointment as directors of the Company;

b. To review on a regular basis, and to make recommendations to the Board, any changes on the membership of Board committees;

c. To review at least once a year, the structure, the size and the composition of the Board and the skills available to the Board, and to make recommendations on any changes, or additions to the Board, which in the Committee's view may be necessary to enhance the Board's effectiveness.

The Governance Risk and Compliance Management Committee

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

a. To review the adequacy and overall effectiveness of the business Units risk management functions and their performance, and reports on internal control and any recommendations.

b. To review the adequacy of insurance coverage for Group assets.

c. To review risk identification and measurement methodologies; and

d. To review the effectiveness of ZBFH's implementation of its risk management system and internal control framework.

The Strategy and Marketing Committee

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

a. To consider and review on an on-going basis the Group's capital structure and funding.

b. To review on an on-going basis the Group's capital management planning.

c. To approve the strategy and objectives of the Group.

d. To monitor on a regular basis the performance of all business units of the Group against the agreed strategy and set objectives.

e. To monitor the state of the relationship between the Group and its various stakeholders.

f. To give policy direction, guidance and counsel on ZBFH Group's overall marketing strategy with an emphasis on brand visibility and reputation, innovation and new product development, product profitability and pricing, as well as channel management initiatives.

g. To review and approve submissions from management on the annual strategic marketing plan objectives, marketing strategies and the marketing budget.

Corporate Governance Report (continued)

BOARD ATTENDANCE DURING THE YEAR

ENTITY	ZBFH	ZBBL	ZBBS	ZBRE	ZBLA
TOTAL MEETINGS	5	4	4	4	4
PROF C MANYERUKE	5	X	X	X	X
R MUTANDAGAYI	5	4	4	4	4
O AKERELE	5	X	X	X	X
T S BVURERE	4	X	X	X	X
P CHIROMO	5	X	X	X	X
F KAPANJE	5	X	X	X	X
A Z MANGWIRO	5	X	X	X	X
J MUTEVEDZI	5	X	X	X	X
B P NYONI	4	X	X	X	X
S A SIBANDA	X	4	4	X	X
P M MATUPIRE	X	4	X	X	X
C MANDIZVIDZA	X	4	X	X	4
G N MAHLANGU	X	4	X	X	X
G CHIKOMO	X	4	X	X	X
G. NHEWEYEMBWA	X	4	X	X	X
C SANDURA	X	X	4	X	X
S K CHIGANZE	X	X	4	X	X
C MAKONI	X	X	4	X	4
*E MUNGONI	X	X	2	X	X
M T SACHAK	X	X	4	X	X
F B CHIRIMUUTA	X	X	X	4	X
P MURAMBINDA	X	X	X	4	X
A G CHINEMBIRI	X	X	X	X	4
E T Z CHIDZONGA	X	X	X	X	4
M MKUSHI	X	X	X	X	4
L MAWIRE	X	X	X	X	4
B SHUMBA	X	X	X	4	X

* E Mungoni resigned from the board during the second quarter of 2018.

KEY

ZBFH - ZB Financial Holdings Limited Board

ZBBL - ZB Bank Limited Board

ZBBS - ZB Building Society Board

ZBRE - ZB Reinsurance Company Board

ZBLA - ZB Life Assurance Board

Directorate

Prof. Charity Manyeruke
Chairman

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

Ronald Mutandagayi
Group Chief Executive

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

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)

Pamela Chiromo
Non Executive Director

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

Fanuel Kapanje
Group Finance Director

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

Directorate (continued)

Agnes Makamure
Non Executive Director

- Bachelor of Accountancy (Honours) (UZ)
- Chartered Accountant (Z)

Kangai Maukazuva
Non Executive Director

- Diploma in Information Technology (IT)
- Executive Masters in Business and Adminstration (AU)
- Graduate Diploma in Management
- ISACA Certified in the Governance of Enterprise IT

Alexio Z. Mangwiro
Non Executive Director

- Bachelor of Science in Health Sciences (UZ)

Jacob Mutevedzi
Non Executive Director

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

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

Thenjiwe Sibanda
Non Executive Director

- MSc in Investment Analysis,
- Masters in Banking and Finance,
- B.A. Economics (Hons),

Corporate Social Investments 2018

Corporate Social Investments - 2018

In the pursuit of its business mandate the ZB Group commits itself to be socially sensible in its practices and always endeavours to leave a legacy of a sustainable positive impact in all the communities that it operates. Social awareness is kept at the heart of product development, service delivery, community interactions and the investment philosophy across all operations in the Group.

In order to be socially inclusive, the Group has endeavoured to simplify information and communication to its customers and continually updates its business practices and policies in order to connect with a wider community in each period of operation. As it does this, the Group maintains a high level of accountability to all its stakeholders whilst maintaining a strong risk culture and high level of responsiveness to its regulatory obligations.

For a deeper impact going forward, the Group, through its banking operations has registered for the Sustainability Standards and Certification Initiative (SSCI) which aims to deliver a holistic, robust, evolving and locally-sensitive set of standards to make the institution more resilient whilst aligning with United Nations' Sustainable Development Goals and Zimbabwe's national development agenda. This program is expected to kick off during the course of 2019.

The primary objectives of the Group's Corporate Social Responsibilty policy are:

a) To reinforce the corporate brand by uplifting wellness and sustainability.

b) To improve corporate brand and visibility internally and externally.

c) To establish and maintain good relations with staff and the community in which the Group operates.
Embedded in the CSR strategy is the focus on sustainability, community empowerment and wellness. Employee volunteering is a concept that has also been embraced.

The Group's corporate social investment program for 2018 focused on building a strong Zimbabwean economy, helping communities thrive through education, wellness, promoting arts and culture and environmental sustainability.

Initiatives that were undertaken for the period under review:

1. Building communities through Education and sports

The United Nations Sustainable Development Goals, (SDGs) continue to guide ZBFH's policies on community involvement in supporting education. Goal number four urges member countries to "Ensure inclusive and equitable quality education and promote lifelong learning opportunities."

ZBFH supports schools from primary to tertiary education through a number of initiatives, with major focus on students from underprivileged backgrounds. In this regard more than $300 000 worth of donations were made towards a plethora of initiatives that include District Education Awards, Graduation Prizes as well as other projects related to schools and Universities. The Group also sponsors students annually through the Education Assist program that has benefitted 15 students from disadvantaged backgrounds.

The Group particularly focused in capacity building in the education sector, supporting the advancement of teacher support structures in the hope of an improved quality of delivery in the sector. To this end the Group sponsored the National Association of Primary School Heads (NAPH) and National Association of School Inspectors and Directors (NASID) conferences and commit to doing so on an annual basis. The Group will also increase its participation in the National Association of Secondary School Heads (NASH) programs.

Corporate Social Investments 2018 (continued)

Whilst the Group has sponsored some initiatives towards financial literacy in the education sector, the Banking Units will be taking a more structured approach in the area going forward.

The Group also actively sponsored a number of sporting initiatives primarily in schools and universities, including sponsoring regional and international trips.

2. Donation towards Health and Welfare

ZBFH recognizes that its success is inextricably tied to the health and welfare of the country at large. When public health issues put employee productivity and the community well-being at risk, it is a business issue that demands action. That is why the Group has continued to support projects run under the auspices of the Mayor's Christmas Cheer Funds, Rotary, Lions as well as church-initiated projects. The Group also makes it a point to assist the aged in keeping with the cultural norms of the community it operates in.

Cancer awareness and research

ZB takes a particular interest in sponsoring initiatives towards cancer awareness and research especially in children. To this end, the Group has partnered with KIDZCAN, an organisation dedicated to increasing the survival rate of children with cancer and commits to increasing its sponsorship activities and involvement in the awareness programs.

The Group is a key party in leading breast cancer awareness and continues to sponsor the annual breast cancer breakfast. The Group also sponsored the launch of Cancerserve Trust established in 2018 to promote advocacy and participation in breast cancer matters by all, particularly the young people.

3. ZB Going Big on Wellness

Health and well-being have become topical issues in today's environment. A healthy customer lives longer, is happy and more agreeable to accept new products and participate in dialogue. At the same time a healthy staff force is motivated and able to offer quality customer service. Wellness covers all aspects of lives that impact on the environment, health and financial well-being. ZB positions itself as a financial institution that cares about the well-being of its customers and staff.

A staff wellness program was launched in 2018 in partnership with CIMAS, Truworths and Edgars and other suppliers of natural foods and products.

4. Donation towards Arts and Culture

ZBFH once again participated at the Harare International Festival of the Arts (HIFA) for the fourth year running, sponsoring the ZB Day, which was on Friday 4 May 2018. Through the participation of the corporate world such as ZB, HIFA is able to absorb the huge costs of running such a premium event and to provide infrastructure and organizational support to the local arts community. This removes all the barriers that the local artists face in their industry and gives them exposure to international artists and audiences and invariably promotes growth.

Corporate Social Investments 2018 (continued)

ZB realises and appreciates the value of creating an active network of arts organizations and as such it has committed to supporting HIFA to achieve these goals. Liaison with other organizations within the arts sector allows HIFA to identify common objectives, create long term linkages and give a coherent and sustained level of support to the artistes. The festival is seen as a festival of standing, where the best of Zimbabwean arts and culture can be showcased. In 2018, ZB adopted a new positioning statement; GO BIG and achieve your financial freedom. This statement aligns with the sponsorship goals for HIFA in that the Group assisted budding talent, helping it to grow.

5. Economic Development

The Group partnered with government, quasi-government and private institutions, as well as community organizations to create an environment for job creation and business investment. The Group is an active member of Confederation of Zimbabwe Industries (CZI), Zimbabwe National Chamber of Commerce (ZNCC), Zimbabwe Association of Pension Funds (ZAPF), Zimbabwe Institute of Management (ZIM), Institute of People Management of Zimbabwe (IPMZ), Chamber of Mines and Zimbabwe Mining Indaba. In 2018, as in previous years, the Group continued to support various developmental conferences and projects. With a keen interest in promoting start-ups and the scaling up of operations in small entities, the Group has taken up membership in Empretec Zimbabwe and various SMEs associations which are playing an active role in the development of entrepreneurs in Zimbabwe.

Going forward, greater investment will be made in promoting financial inclusion, tapping into the informal sector, where the Group will seek opportunities to impact on community development projects positively. The Group is aligned with the government's thrust of enabling and empowering women and youth towards economic growth and has established special desks to address the needs of these special groups.

The Group sponsored engagements and conversations at, amongst others, the following events:

- Chamber of Mines Annual General Meeting
- Zimbabwe Association of Pension Funds Annual General Meeting
- Zimbabwe National Chamber of Commerce
- Zimbabwe International Trade Fair
- Association of Certified Chartered Accountants Winter School
- Institute of Chartered Accountants of Zimbabwe Winter School
- Confederation of Zimbabwean Industries Annual Congress and China Public sector dialogue
- National Association of School Inspectors and Directors
- National Association of Primary Heads
- Rural District Councils Conference
- Zimbabwe Teachers Association Conference
- Women Excel Conference
- Diwali Festival
- Harare International Festival of the Arts (Zimbabwe)

6. Environmental Awareness

ZB pledges its commitment to promoting environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water. In pursuance of a re-forestration agenda to which a commitment was made in 2016, the Group participated in the 'Trees for Life' campaign partnering with like-minded organisations such as the Forestry Commission to finance community orchards to benefit communities with food, whilst at the same time addressing conservation of land.

Corporate Social Investments 2018 (continued)

7. Internal brand engagement

The alignment of the brand values by staff is a critical component in the effort to sustain a positive image in the society. In this regard ZB's management and staff went through Customer Care Clinics and several soft skills workshops. These were done through external consultants.

8. Community Volunteerism

ZB actively participates in fund-raising for awareness and prevention of cancer in kids through KIDSCAN where staff also contributes their money and participates on the Orange Day in support on this initiative. Staff also donated books towards stocking the library for Tariro Hope Foundation.

9. Accountability

Accountability is the obligation to;
(i) Demonstrate that work has been conducted in accordance with agreed rules and standards
(ii) Report fairly and accurately on performance results vis-à-vis mandated roles and/or plans.
To this end ZB management reports to the Board of Directors, Reserve Bank od Zimbabwe (RBZ), Bankers' Association of Zimbabwe (BAZ) and Insurance and Pensions Commision (IPEC) and the Securities Commission as a listed entity.

ZB Internal Audit and Investigations conducts internal audits, related advisory services and investigation services for all units and departments. The ZB Compliance and Risk departments also ensure that all relevant compliance issues are attended to and risk management initiatives are put in place.

10. Transparency

ZB has a long-standing commitment to transparency that includes carrying out Media and Analysts Briefings, publishing financials and relevant information on our website, and producing Annual Reports.

The Group has also embraced technological trends and established social media handles to give greater access to our customers and stakeholders. The Group is active on Facebook, Twitter, Youtube, Instagram and LinkedIn.

11. Ethical Behaviour

ZB promotes an organizational culture that places the highest value on professionalism, integrity, accountability, results orientation, and mutual respect. To this end, the Group subscribes to a whilste-blower facility, Tip Offs Anonymous, and encourages all its stakeholders to utilise this facility in reporting ethical breaches.

12. Respect for stakeholders' Interests

ZB recognises and has due regard for the interests, as well as the legal rights, of its stakeholders and responds to their express concerns.

Corporate Social Investments 2018 (continued)

PHOTO GALLERY

Kidzcan Donation

Nyumbane Primary School roof donation


ZB Ladies Tug of War Team at the 2018 Interbank Games

Sakubva maternity clinic donation


ZB Volleyball team at the 2018 Interbank Games


ZB Staff undergoing teamwork training

Corporate Social Investments 2018 (continued)

PHOTO GALLERY


Tobacco Sales Floor Grower of the Year awards donation

Donation to the Tobacco Grower of the Year

Prize moment at the ZITF Charity Golf

ZB Staff Wellness Day

Chairman's Statement

"Growth momentum was notable in the agriculture and mining sectors which are estimated to have increased in 2018 by 12.4% and 13% respectively."

Prof. Charity Manyeruke
Chairman

Operating Environment

The Government of Zimbabwe estimated economic growth for 2018 at 4%, down from an initial projection of 4.5%. Amongst other factors, this underperformance can be attributed to the challenges experienced in the supply and allocation of foreign currency, the misalignment of exchange rates in relation to the local currency and resurgent inflationary pressures in the wake of a pervasive multi-tier pricing regime.

Growth momentum was notable in the agriculture and mining sectors which are estimated to have increased in 2018 by 12.4% and 13% respectively. The agriculture sector benefited from a number of input support schemes whilst the El Nino induced weather patterns presented downside risk. On the other hand, a 33.9% increase in gold deliveries, a 9% increase in diamond extraction and a 7.4% increase in nickel output spurred growth in the mining sector.

Against the backdrop of a raft of monetary and fiscal policy measures announced in October 2018 aimed at addressing the distribution of foreign currency resources and rebalancing the fiscus by curtailing money supply whilst expanding the tax base through the introduction of the 2% Intermediated Money Transfer Tax, inflation rallied in the last quarter of 2018 to close the year at 42.09% on a year-on-year basis, rising from 3.52% in January 2018.

The level of capitalization on the Zimbabwe Stock Exchange increased by 123% from US$8.7 billion in January, 2018 to US$19.4 billion at 31 December 2018 as market players sought to hedge their positions against inflation risk.

The level of precipitation for the 2018/2019 farming season was well below long term averages, thus constraining growth prospects for 2019. The Government of Zimbabwe expects growth at 4% whilst the International Monetary Fund (IMF), in its April 2019 World Economic Outlook report projects economic recession for Zimbabwe with a growth projection of -5.2% for 2019. The government therefore faces a big challenge balancing out the threat of recession against its commitment to aggressive austerity measures.

Financial Performance

The Group recorded a full year profit of $21.8 million, representing a 54% improvement on the $14.2 million restated profit outturn for the full year in 2017. The financial performance of the Group is discussed in more detail in the Group Chief Executive Officer's report.

Chairman's Statement (continued)

Dividend

A dividend of ZWL 1.57 cents per share for the year ended 31 December 2018 has been declared by the Board.

Legal contingencies and regulatory issues

The Board remains hopeful that resolution to the long standing dispute between the Company and a shareholder, Transnational Holdings Limited regarding the ownership of a subsidiary entity, Intermarket Holdings Limited, will be achieved soon.

I am glad to report that significant progress has been made in dealing with issues raised in a Corrective Order initially issued on 7 March, 2017 and reviewed in March, 2018 by the Reserve Bank of Zimbabwe.

Directorate

Ms Thenjiwe Sibanda, Mrs Agnes Makamure and Mr Kangai Maukazuva were appointed to the Company's Board on 1 March, 2019. I welcome them to the Group and look forward to their contribution to the Group's affairs.

Outlook

As Government continues to pursue aggressive austerity measures and monetary reforms aimed at normalizing the economy in the medium term businesses will be hounded by the short-term transitional dislocations which include a high inflation outturn and adverse liquidity conditions, factors which are likely to result in balance sheet contraction in real terms. The Group will therefore, prioritise capital preservation in the execution of its strategies whilst cautiously taking advantage of any growth opportunities without overstretching the liquidity position.

Conclusion

I would like to take the opportunity to thank Board colleagues, management and staff and all other stakeholders for the contributions made in achieving the 2018 results.

Professor C. Manyeruke
Chairman
29 April 2019

Group Chief Executive's Report

"The Group expects to meet the Tier 1 minimum capital requirements for its banking operations set at $100 million by 2020 from organic growth and internal reorganization."

Ronald Mutandagayi
Group Chief Executive

Background

The 2018 operating environment was fraught with challenges, chief amongst which were:

a) the continued shortage and suboptimal distribution of foreign currency which slowed down productivity in the business sector and led to the accumulation of foreign liabilities for many companies;

b) the shortage of the local surrogate currency, the bond note, which, besides promoting a wholesale shift from cash-based local settlement options to mobile and card based platforms, created settlement arbitrage opportunities; and

c) the general use of a multi-tier pricing system with prices varying depending on the mode of settlement, thus creating a de-facto exchange rate between the local currency which was officially pegged at par to the United States Dollar.

The above factors created fertile ground for the resurgence of inflation and the economy experienced a sharp release of prices in the last quarter of the year, with the year-on-year inflation rate increasing from 5.39% in September, 2018 to 20.85% in October 2018 before closing the year at 42.09%. This created immense cost pressure on the Group whilst at the same time presenting a real risk of achieving negative returns on investments.

The pervasive value distortions arising from the diminished convertibility of the local currency and the pricing dynamics on the market resulted in the Group being unable to fully comply with provisions of International Financial Reporting Standards, particularly IAS 21: "*The Effects of Changes in Foreign Exchange Rates*". Resultantly, an adverse audit opinion was issued on the financial statements on account of this deficiency, which is beyond the control of management.

The Group has, however, followed the reporting guidance provided by the Public Accountants and Auditors Board as well as legal provisions contained in Statutory Instrument 33 of 2019 which defines the currency for reporting purposes in Zimbabwe.

In spite of the aforementioned challenges, the Group posted nominal growth, achieving a profit of $21.8 million in 2018 against a restated profit of $14.2 million in 2017.

Group Chief Executive's Report (continued)

Operating Results

Net revenue improved by 21%, from $69 million in 2017 to $83.5m in 2018. This was underpinned by improved performance in net income from lending activities, net insurance premium income as well as fair value credits on the investment portfolio.

Net income from lending and trading activities recorded a 29.1% improvement, from $14.8 million in 2017, to $19.1 million in 2018. This was on the back of a 23.2% rise in interest and related income from $24.8 million in 2017 to $30.6 million in 2018 driven by a 31% growth in earning assets constituting the loan book and the trading book as the Group capitalised on the liquidity glut in the early part of the year.

The provision for expected credit losses recognized during the year amounted to $4.9 million, an increase of 64% from $3 million posted in 2017. This is over and above a further $2.2 million charged against opening reserves upon adoption of a new financial reporting standard, IFRS 9 "*Financial Instruments*".

Gross insurance premiums earned by the Group increased by 6% from $30.8 million in 2017 to $32.8 million in 2018. This was driven by a 17% growth in life assurance premiums, underpinned by a buoyant new business run in the first half of the year. Diminished household income levels however resulted in higher policy surrenders despite an overall improvement in the loss ratio in the life operations from 40% in 2017 to 38% in 2018.

Reinsurance premiums remained flat over the two years representing inherent cost challenges faced both at business and household level. The improved quality of underlying risk resulted in an improvement in the claims ratio from 59% in 2017 to 45% in 2018.

On aggregate, net results from the insurance activities increased by 3% from $9.6 million in 2017 to $9.9 million in 2018.

Other operating income increased by 8% from $41.8 million to $45 million and is largely comprised of banking commissions which, at the level of $39.9 million in 2018, increased by 6% from $37.8 million in 2017.

A fair value credit of $9.3m was posted in 2018, having increased by 240% from $2.7 million in 2017. This outturn mirrors the performance of the Zimbabwe Stock Exchange as well as the general appreciation in the value of investment assets in line with market trends.

Operating expenses rose by 10% from $50.9 million in 2017 to $56.2 million in 2018. The increase in costs was 11 points lower than the increase in revenue. However, the cost base does not reflect the full impact of the inflationary pressures from the third quarter of 2018 which have spilled over into 2019. The Group will continue to monitor cost expansion, striking a balance between business demands in an inflationary environment and real revenue growth.

Total assets for the Group increased by 26.2%, from $525.7 million in 2017 to $663.2 million underpinned by growth in money market investments (206% from $3.5 million in 2017 to $10.7 million in 2018), investment securities (53.9% from $36.7 million in 2017 to $56.5 million in 2018), mortgages and other advances (16.1% from $105 million to $121.9 million), and sovereign paper holdings (24.6% from $156 million in 2017 to $194.3 million in 2018).

A notable improvement in the quality of the Group's assets exposed to credit risk was observed with the non-performing loans ratio having improved to 4.6% at 31 December, 2018, compared to 10.7% reported at 31 December, 2017. This improvement is a result of collection efforts and credit expansion through tight credit selection processes in an environment where credit absorption in the productive sector has remained low.

Deposits increased by 24.8% from $347.1 million in 2017 to $433 million in 2018. However, deposits still remained transitory in nature, and hence sensitive to short-term market dynamics.

The Group maintained aggregate liquidity ratios above 79% throughout the year, providing a substantial cushion against the regulatory minimum ratio of 30%. Mild liquidity strain was experienced during the last quarter following fiscal measures that drained substantial chunks of liquidity from the market.

Group Chief Executive's Report (continued)

Total equity increased by 20.7% from $99.8 million at 31 December, 2017 to $120.4 million at 31 December, 2018. This is after a net reduction of $2.4 million arising from technical adjustments at the beginning of the year connected with the initial application of new financial reporting standards. The increase is driven by the profit outturn for the year of $21.8 million, net other comprehensive income movements of $4.2 million and a deduction for prior year dividend amounting to $2.9 million.

The Group expects to meet the Tier 1 minimum capital requirements for its banking operations set at $100 million by 2020 from organic growth and internal reorganization. Going forward, strengthening the overall level and quality of equity in the Group will be a key priority area.

Business Update

In its efforts to support the productive sectors of the economy, the Group has made satisfactory progress in mobilizing offshore lines of credit, having re-established trading arrangements with major regional development banking partners. As at 31 December, 2018 a $30 million line of credit with the African Export-Import Bank (Afreximbank) was partially drawn down.

The Group established a Diaspora Banking unit during the year following extensive market research and this has generated interest from major source markets. The unit has already started producing transaction flows for the products offered by the Group.

Following on-going reviews of its network, the Group opened a branch in Glendale during the third quarter of 2018, in response to demands from its customers in that area. On the other hand, branch refurbishments continued at a slower pace due to cost escalations experienced. A new-look Mutare branch, providing a refreshed banking experience, was opened during the first quarter of 2018.

In responding to the pressure exerted on its systems due to increased electronic transactions and the demands for improved security, the Group continued to make investments into its systems at application, hardware and communication level in order to enhance overall system performance and service delivery. A total commitment of $5.4 million was made in this regard in 2018.

Internal stakeholders

The Group is committed to improving the quality of service provided to its varied clients. This commitment is achieved through a highly skilled and engaged staff. To this end, all Group management and staff were taken through Customer Care Clinics and Soft Skills workshops in order to improve the quality of both internal and external engagements. Furthermore, Wellness Clinics, addressing physical health and fitness, state of the mind, and financial health were conducted for all members.

A total of 138 staff development training programs were attended by 1 462 staff members during the course of 2018.

The Group maintained cordial relations with staff.

A total of 1046 staff members were employed as at 31 December, 2018 comprising of 640 permanent employees, with the balance being fixed term contract employees, graduate trainees and students on attachment.

Operations outlook

In order to achieve the full benefit from technology in engendering greater efficiencies and respond to the evolving customer demands, the Group will continue to digitalise its operations. Significant investment in this area is therefore expected over the next five years.

Acknowledgements

I would like to thank our valued customers for their continued support.

I would also like to express my gratitude to the Board, management and staff for their efforts during the year.

R. Mutandagayi
Group Chief Executive Officer
29 April 2019

Economic Overview

WORLD ECONOMY

Following a broad-based upswing in cyclical growth that lasted nearly two years, the global economic expansion decelerated in the second half of 2018. Activity softened amid an increase in trade tensions and tariff hikes between the United States and China, a decline in business confidence, a tightening of financial conditions, and higher policy uncertainty across many economies. Against this global backdrop, a combination of country- and sector-specific factors further reduced the growth momentum. After peaking at close to 4% in 2017, global growth remained strong, at 3.8% in the first half of 2018, but dropped to 3.2% in the second half of the year.

With this weakness expected to persist into the first half of 2019, the International Monetary Fund (IMF) World Economic Outlook (WEO) projects a decline in growth in 2019 for 70% of the global economy. Global growth, which peaked at close to 4% in 2017, shed 0.4 percentage points to 3.6% in 2018, and is projected to decline further by 0.3 percentage points, to 3.3% in 2019. A 3.3% global expansion is still quite reasonable, but the outlook for many countries is very challenging and fraught with downside risks, with considerable uncertainties in the short term, especially as advanced economy growth rates converge toward their modest long-term potential.

Growth in advanced economies is estimated to have decelerated by 0.1 percentage points, from 2.3% in 2017 to 2.2% in 2018. The euro area slowed more than expected as a combination of factors weighed on activity across countries, including inter alia weakening consumer and business sentiment; fiscal policy uncertainty; delays associated with the introduction of new fuel emission standards for diesel-powered vehicles in Germany; softening investment in Italy; and street protests that disrupted retail sales and weighed on consumption spending in France. Growing concerns about a no-deal Brexit also likely weighed on investment spending within the euro area. Following a notable uptick in 2017, euro area economies' exports softened considerably, in part because of weak intra-euro-area trade, which exacerbated poor sentiment across the currency area.

Growth in advanced economies is estimated to have weakened further to 1.8% in 2018 and 1.7% in 2020.

Growth among emerging market and developing economies (EMDEs) is estimated to have accelerated by 0.2 percentage points, from 4.3% in 2017 to 4.5% in 2018. Among emerging market and developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices, but growth was revised down for Argentina, Brazil, Iran, and Turkey, among others, reflecting country-specific factors, tighter financial conditions, geo-political tensions, and higher oil import bills. Growth across emerging market and developing economies is projected to stabilize slightly below 5% (4.5% in 2018 to 4.4% in 2019), though with variations by region and country. The baseline outlook for emerging Asia remains favourable, with China's growth projected to slow gradually toward sustainable levels (6.6% in 2018 to 6.3% in 2019) and convergence in frontier economies toward higher income levels. For other regions, the outlook is complicated by a combination of structural bottlenecks, slower advanced economy growth and, in some cases, high debt and tighter financial conditions. These factors, alongside subdued commodity prices and civil strife or conflict in some cases, contribute to subdued medium-term prospects for Latin America; the Middle East, North Africa, and Pakistan region; and parts of sub-Saharan Africa.

Growth in Sub-Saharan Africa (SSA) is estimated to have improved by 0.6 percentage points, from 2.4% in 2017 to 3.0% in 2018, as commodity prices recovered, global financing conditions remained favourable, and slowing inflation lifted household demand. Growth for the region is projected to rise to 3.7% in 2020.

DOMESTIC ECONOMY

1.1 Economic Growth

The Government estimates that the Zimbabwean economy grew by 4% in 2018, down from the 4.5% initial projection. During the last half of the year, there was a noticeable growth slowdown associated with foreign currency supply and allocation challenges, exchange rate misalignment, inflationary pressures, and rebasing effect. The most affected sectors included, but were not limited to, mining, manufacturing and services.

Economic Overview (continued)

Growth projection in 2019 is anticipated at about 3.1%, slightly lower than the 2018 estimated growth of 4%, reflecting the impact of unfavourable weather (El-Nino effect) on agriculture and macro-fiscal vulnerabilities from previous unsustainable fiscal and current account deficits. Beginning 2019, fiscal consolidation measures are, however, expected to give a strong rebound in growth to above 7% from 2020.

Meanwhile, the IMF, in the April 2019 WEO, projected that the domestic economy will slide into recession in 2019. In fact, the IMF is projecting that Zimbabwe will grow by a negative 5.2% (-5.2%) in 2019, before rebounding to 3.3% in 2020 and 4% in 2024. There is a need for Government to balance the act between austerity and the potent risk of recession.

1.2 REAL SECTORS

1.2.1. Agriculture Sector

Production of grain crops under the 2018/19 agriculture season was anchored by the Special Agriculture Programme (Command Agriculture), Presidential Input Scheme in support of vulnerable farmers, contract farming and individual funding and initiatives. Under the Special Agriculture Programme, 269,000 ha and 28,000 ha were contracted under maize and soya beans production, respectively, as at end of December 2018. Of the above, 51,900 farmers were contracted for maize production while 1,700 farmers were contracted for soya beans.

In the tobacco sector, the number of new tobacco registered farmers went up by 33% to 40,600 as at 31 December 2018, from 30,500 farmers registered during the same period in the previous year. Consequently, the area planted is estimated at 79,708 ha as at 27 December 2018 up from 74,238 ha recorded for the same period last year. Although the tobacco output was initially anticipated to be within the previous year's levels of 252 million kg, the adverse effects of the El Nino phenomenon during the 2017/2018 cropping season point to much reduced deliveries.

Elsewhere, in livestock production, during the fourth quarter of 2018 growth of the cattle herd was affected by drought conditions and disease outbreaks, which reduced the herd and also compromised the quality of beef products. By December 2018, the cattle herd was estimated at about 5.4 million from 5.6 million estimated in January 2018. As a result, formal cattle slaughters declined to an all time low since 2016 of 58,170 in the last quarter of 2018. This is against 71,290 recorded during the third quarter of the same year.

Overall, the agriculture sector is estimated to have grown by 12.4% in 2018 and is projected to grow by 3% in 2019.

1.2.2. Manufacturing Sector

Growth in the manufacturing sector is estimated at 1.7% for 2018, being a downward revision from the initial estimate of 2.1% growth. In 2018, new investments were mainly registered in the sub-sectors of plastics & packaging (76.92%), foodstuffs (62.50%), drinks and beverages (62.50%) and wood and furniture (50%). Consequently, the sector experienced some growth in capacity utilisation from 45.1% to 48.2% between 2017 and 2018.

The improvement in average capacity utilization was mainly registered in sub-sectors of foodstuffs, drinks, tobacco & beverages, metal & metal products, non-metallic mineral products as well as wood & furniture.

However, capacity utilization dropped for the sub-sectors of plastics & packaging, paper, printing & publishing, clothing & footwear, chemicals & petroleum products and transport & transport equipment. The table below shows capacity utilization performance by sub-sector.

Economic Overview (continued)

Manufacturing Average Capacity Utilisation by sub-sector (2017 & 2018)		
Subsector	2017	2018
Drinks, Tobacco and Beverages	51.2	59.5
Foodstuffs	56.3	58.0
Other Manufacturing	45.8	51.5
Plastics and Packaging	53.0	50.8
Wood and Furniture	45.2	50.5
Paper, Printing and Publishing	52.2	50.0
Clothing and Footwear	50	43.6
Metal and Metal Products	37.1	41.1
Non-Metallic Mineral Products	33.2	35.0
Chemical and Petroleum Products	36.1	33.2
Transport, Equipment	39.3	10.0
Source CZI		

Going forward, the sector is expected to grow by 2.5% in 2019.

1.2.3. Mining Sector

The Government estimates that the mining sector grew by 13% in 2018, a downward revision of the initial 26% growth estimate. During the year 2018, mineral output outturn was realised as follows:

Gold: Notwithstanding setbacks in gold output during the fourth quarter, overall gold production for 2018 was recorded at 33.2 tonnes, and constitutes a 33.9% rise from 24.8 tonnes recorded in 2017. The actual outturn was in fact 10.7% above the target of 30 tonnes for 2018. Small-scale miners, with a contribution of 65.3%, were leading gold producers, backed by Government financial support and incentives, as well as increased monitoring and surveillance by the Gold Mobilisation Committee aimed at curbing gold leakages. Gold deliveries by small-scale producers rose by 64.5%, from 13.2 tonnes in 2017 to 21.7 tonnes in 2018.

Diamond: Output for 2018 increased by 9% to 3,252 million carats from the 2,508 million carats produced in 2017.

Chrome: 2018 output increased by 4.9% to 1,756 million tonnes from 1,674 million tonnes produced in the similar period in 2017. This performance also surpassed the projected target of 1,700 million tonnes by 3.3%.

Platinum: Platinum output for 2018 increased by 3.1% from 14,257kg realised in 2017 to 14,703kg, and surpassed the 2018 projected target of 14,300 tonnes by 2.8%. The increase in platinum output is attributable to increased throughput from the major producer, Zimplats as the company switched to underground operations at Bimha Mine, which reached design production capacity and improved operational performances by Unki Mining Company.

Nickel: Output for 2018 increased by about 7.4% to 17,850 tonnes compared to 16,617 tonnes produced in 2017, surpassing the 2018 targeted projection of 17,300 tonnes by 3.2%. This benefited from increased throughput from platinum group metals (PGMs) and ramp up in production at Bindura Nickel Corporation (BNC) following additional equipment which was purchased in the third quarter of 2018.

In the outlook, the mining sector is projected to grow by 8.1% in 2019, subject to implementation of a number of measures that facilitate the viability of the sector.

1.2.4. Information, Communication and Technology (ICT) Sector

According to the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) Telecommunications Sector Annual Postal and Telecommunications Sector Performance Report for 2018, total active mobile subscriptions declined by 8.4% to reach 12,908,992 from 14,092,104 recorded in 2017; hence, the mobile penetration rate declined by 9.6% to reach 93.1% from 102.7% recorded in 2017.

Meanwhile, all the mobile networks recorded growth in active mobile money subscriptions with OneMoney recording the highest growth rate of 32.7%. An annual comparison of total active mobile money subscriptions shows a 35% growth from 4,706,778 recorded as at 31 December 2017.

Economic Overview (continued)

In terms of Mobile money transactions, an annual comparison shows that airtime and merchant payments grew by 190.5% to record $4.716bn in 2018 from $1.623bn recorded in 2017. Cash-in transactions grew by 146.5% to record $3.807bn from $1.544bn recorded in 2017. Cash-out transactions also grew by 105.6% to record $2,843bn from $1,383bn recorded in 2017. On the other hand, cross-network transactions declined by 46.7% to record $683,732 from $1,282,318 recorded in 2017. Usage of Electronic Payments is expected to continue to rise in both volume and value terms, as the economy increasingly adopts plastic money usage, in the wake of continued shortages of cash.

The performance of the sector in 2019 will be dependent on the general economic environment. The economic environment impacts the sector through service demand and consumption levels, operating costs, investment etc. Given the current inflationary pressures in the economy, operating cost containment will be even more crucial for operators to maintain profitability. The growth of operating costs poses a threat to operator viability and puts pressure on prices. This may in turn impact demand for postal and telecommunication services as consumers reduce usage.

Competition in the various service markets is expected to intensify; operators will compete on products and service offerings as well as prices through promotional offerings in order to retain subscribers and stimulate demand. However the current levels of market concentration are not expected to change significantly, with Econet and Liquid maintaining dominance of the mobile and Internet Access Provider markets respectively. There will be continued momentum around innovation in non-traditional business models such as Internet of Things applications in order to tap into new revenue streams.

1.2.5. Tourism

UN World Tourism Organisation (UNWTO) estimates that worldwide international tourist arrivals (overnight visitors) increased by 6% to 1.4 billion in 2018, clearly above the 3.7% growth registered in the global economy. In relative terms, the Middle East (+10%), Africa (+7%), Asia and the Pacific and Europe (both at +6%) led growth in 2018. Arrivals to the Americas were below the world average (+3%). Data from Africa points to a 7% increase in 2018 (North Africa at +10% and Sub-Saharan +6%), reaching an estimated 67 million arrivals. Growth is expected to return to historical trends in 2019.

Meanwhile, tourist arrivals in Zimbabwe reached 2.6 million arrivals in 2018, surpassing the baseline of 2.5 million arrivals achieved in 1999. America, United Kingdom and Germany were the top source markets for tourist during the period under review.

1.3 MONETARY AND FISCAL DEVELOPMENTS

1.3.1. Monetary Developments

Generally, annual growth in money supply has been on a downward trend since July 2018, largely reflecting slowdown in accommodation to Government, fiscal consolidation, as well as Central Bank efforts to mop up excess liquidity from the market. Liquidity sterilization efforts through the Bank's savings bonds, have continued to bear fruit, mopping up a total of $1.96 billion worth of liquidity, since their introduction in September 2017.

Annual broad money growth fell from close to 50% in July 2018, to 28.05% in December 2018, reaching a stock of $10,009.91 million as of the same month. Expansions in currency in circulation, 51.25%; demand deposits, 32.01%; and time deposits, 7.65%, accounted for the growth in broad money. This was offset, in part, by the decline of 14.65% in negotiable certificates of deposits (NCDs).

Economic Overview (continued)

The country's money supply, however, continues to be dominated by transitory deposits, as evidenced by its composition by end of December 2018, where transferable deposits were 79.33% of total broad money; time deposits, 15.07%; currency in circulation, 5.02%; and negotiable certificates of deposits, 0.59%. This short term money does not augur well for investment, as it falls short of the medium to long term credit requirements of most industries, which are in dire need of funding for re-tooling, refurbishment and new capital investments.

Meanwhile, total banking sector deposits amounted to $10.32 billion as at 31 December 2018, up from $8.48 billion as at 31 December 2017. On that same note, total banking sector loans and advances increased by 11.05%, from $3.80 billion as at 31 December 2017 to $4.22 billion as at 31 December 2018. Lending to the productive sector increased over the year, from 73.64% to 76.01% of total loans as at 31 December 2018. The increase is largely attributable to lending to the agricultural sector which increased from 14.7% to 16.39% and other segments including state owned enterprises from 12.1% to 20.1%. The loans to deposit ratio decreased from 44.81% to 40.1% over the year ended 31 December 2018, reflecting low lending levels.

1.3.2. Inflation

During the year under review, the continued scarcity of currency (both US Dollars and bond notes) resulted in pricing distortions, with goods prices being quoted differently for US Dollar, bond notes, and electronic purchases, particularly in the informal sector (3-tier pricing system): RTGS balances and bond notes continued to be illegally cross-rated at a discount in relation to the US Dollar. Businesses in need of quick foreign currency for imports were also forced to resort to purchasing forex on the alternative market, and this contributed to the rise in inflation. Consequently, the country's inflation profile further deteriorated from a 2017 year end close of 3.24% (year-on-year) to 42.09% by December 2018. On a month-on-month basis, inflation remained largely on the positive side averaging 3.09% during the year 2018.

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

1.3.3. Exchange Rates

On the international foreign currency market, the US Dollar firmed against 15 of the 16 currencies in our currency basket. The Dollar was stronger the most against the Argentine Peso (appreciated by 102.4%), Russian Rubble (20.26%), South African Rand (16.26%) and the Brazilian Real (17.16). The US Dollar only weakened against the Japanese Yen (2.63%), during the year 2018.

Going forward, the US Dollar is likely to remain firm largely depending on the USA interest rate policy thrust with regards to trade with emerging markets and such countries that include China, Japan and Brazil.

1.3.4. Money Market and Interest Rates

In 2018, high fiscal deficits became entrenched largely due to expenditures committed outside the Budget framework through Treasury Bills (TBs) issuances. In fact, during the year Government deficits continued to be largely financed through the issuance of TBs. Resultantly, TBs issued grew to over $7.6 billion from $2.1 billion in 2016, with about $1.37 billion worth of TBs having been issued in 2018 alone, as at end of October. Seeing that the growth of TBs was no longer sustainable, the Government then decided to tone down on its TBs issuance through stopping ZAMCO operations, reducing government borrowing and introduced auction system whereby the RBZ shall be inviting tenders on behalf of Government. Going forward, Treasury Bill issuances shall be strictly for the financing of short term cash-flow mismatches.

Economic Overview (continued)

Meanwhile, 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. There was no change with regards to the latter directive in 2018. However, going forward there will be increased need to review the interest rates given the rising inflation that has resulted in negative returns on assets.

1.3.5. Equities Market

In 2018, the stock market generally witnessed a massive bull run: between January 2018 and December 2018 market capitalisation rose by 124.5%, from $8.653 billion in January 2018 to $19.424 billion in December 2018.

Both the mainstream industrial and the mining indices rose during the year, with the industrial index adding 60% from 305.35 in January 2018 to 487.13 in December 2018, while the resources index rose by 75% from 130.42 in January 2018 to 227.71 in December 2018.

The bull run experienced during the year, especially during the last quarter, was spurred by investors who continued to scurry for safety in stocks amid concerns over mounting inflationary pressures emanating from the firming USD: Bond alternative market exchange rate and decision to technically devalue local currency balances.

1.3.6. Financial Sector

As at 31 December 2018, there were 19 operating banking institutions (13 commercial banks, 5 building societies, and 1 savings bank), as well as 199 registered money lending and credit-only microfinance institutions, 6 deposit-taking microfinance institutions, and 2 development institutions under the supervision of the RBZ. In 2018 the banking sector was reported by the RBZ to be generally stable, as reflected by adequate capitalisation and improved earnings performance.

However, asset quality deteriorated as reflected by increase in the average non-performing loans to total loans ratio during the period under review. The table below shows trends in financial soundness indicators:

Key Indicators	Benchmark	Dec-17	Jun-18	Sept-18	Dec-18
Total Assets		$11.25bn	$12.35bn	13.31bn	$4.22bn
Total Loans & Advances		$3.80bn	4.08bn	$4.00bn	$4.22bn
Net Capital Base		$1.58bn	$1.61bn	$1.72bn	$1.83bn
Total Deposits		$8.48bn	$9.53bn	$9.57bn	$10.32bn
Net Profit		$241.94m	$176.09m	$283.98m	$389.85m
Return on Assets		2.61%	1.75%	2.61%	4.57%
Return on Equity		15.48%	11.16%	16.80%	20.59%
Capital Adequacy Ratio	12%	27.63%	26.32%	27.79%	30.27%
Loans to Deposits	70%	44.81%	43.53%	41.8%	40.71%
Non-Performing loans Ratio	5%	7.08%	6.22%	6.69%	8.39%
Tier 1 Ratio	8%	23.97%	24.16%	22.68%	23.84%
Liquidity Ratio	30%	62.62%	68.45%	70.66%	68.00%
Cost to Income Ratio		75.36%	67.59%	66.85%	70.01%

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

1.3.7. Public Sector Finance

In line with its thrust for 2018, which emphasised on enhancing revenue collections for the fiscus, the Zimbabwe Revenue Authority (ZIMRA) managed to surpass its set target of reaching the $5 billion mark. Revenue collections in 2018 surpassed the target with the Authority collecting a gross of $5.36 billion or 21.80% of GDP, which was 24.71% above the target of $4.30 billion. Net collections amounted to $5.061 billion, or 20.57% of GDP. The positive performance was attributed, in part to the revision of the Intermediated Money Transfer Tax, general effect of price increases and improved efficiency and effectiveness in revenue collections by ZIMRA team, as well as enhanced compliance level from taxpayers. A summary of the revenue performance is illustrated in the following graph:

Economic Overview (continued)

Overall, most of the revenue heads registered growth in collections with, Intermediate Money Transfer Tax, revised in October 2018, growing by 848.30% compared to US$18.69 million collected in 2017.

In the outlook, Government's revenue target is $ 6.6 billion, of which $6.04 billion is expected to be earned from taxes.

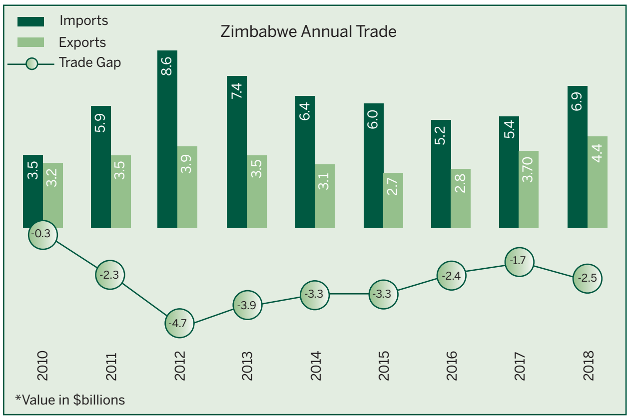
1.4 EXTERNAL SECTOR

Full year external trade numbers for 2018 showed a swelling net deficit position compared to the prior year. In 2018 Zimbabwe incurred a net trade deficit of -$2.5 billion which is 50% higher than -$1.8 billion realised in 2017. Zimbabwe has historically recorded a perennial net negative trade position and consequently current account balances, a key source of the country's macroeconomic instability. Other factors that weighed in on the current account position include misallocation of resources and a 1:1 USD: Bond exchange rate in an economy with unquestionably weakening fundamentals.

The widening gap is a result of a higher growth in imports compared to exports in 2018. In nominal terms, imports grew by over double the growth in exports at $1.5 billion compared to $0.7 billion growth in exports. Higher imports are a culmination of money supply forces militating to spur aggregate demand in the economy. The growth in money supply has been higher than the growth in local production thus exerting more pressure on imports. With more liquid bank balances Zimbabweans began demanding more fuel, food, raw materials etc.

Diesel and Petrol topped the list of imports for 2018 and accounted for 25% of the total import bill. Diesel and Petrol imports grew by 37% and 34%, respectively year-on-year. Overall Zimbabwe's import bill totalled $6.9 billion for the year up from $5.4 billion in the prior year. The outturn is the highest import level in 5 years. All of the top 10 imports recorded a year-on-year increase.

Exports swelled at a slower rate compared to imports at 18% to close the year at $4.4 billion which is however a post dollarization record outturn. Despite the impression, the growth rate was however lower compared to 31% exports growth achieved in 2017. Key exports to drive the outturn included gold and tobacco, the country's top export products. In 2018 both commodities achieved their best outturn in history helping drive the country's export earnings. The graph below shows the annual external trade positions over years.

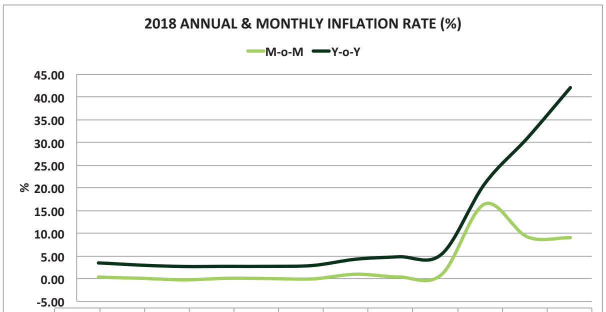


Going forward, performance of the export sector will continue to be largely determined by, among others, international commodity prices, local production, competitiveness of local products, and US Dollar exchange rate movements, especially against currencies of the country's major trading partners.

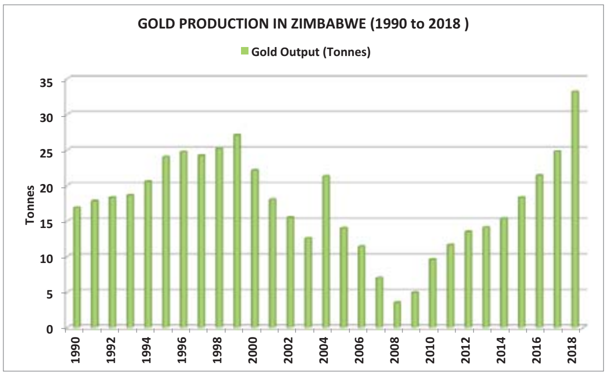
ECONOMIC OUTLOOK

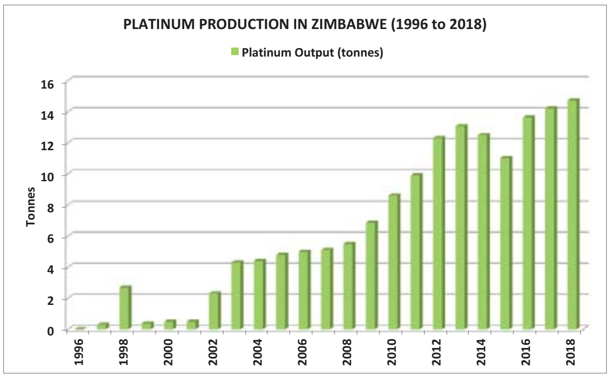
In the outlook, the fortunes of the Zimbabwean economy will hinge mostly on policy thrust and consistency by the government; international re-engagement; improving business confidence; and ensuring macroeconomic stability, among others.

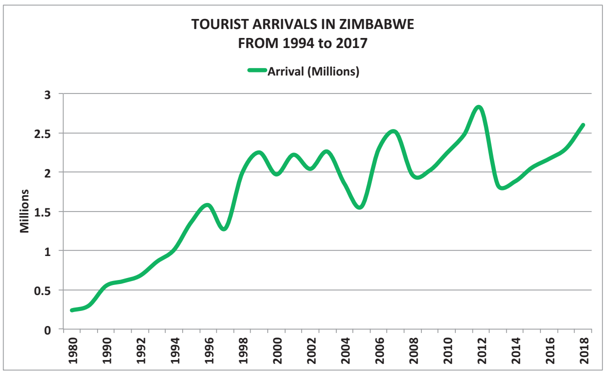
Economic Overview (continued)

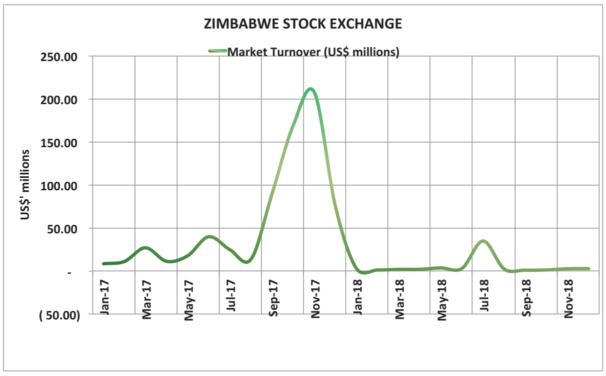


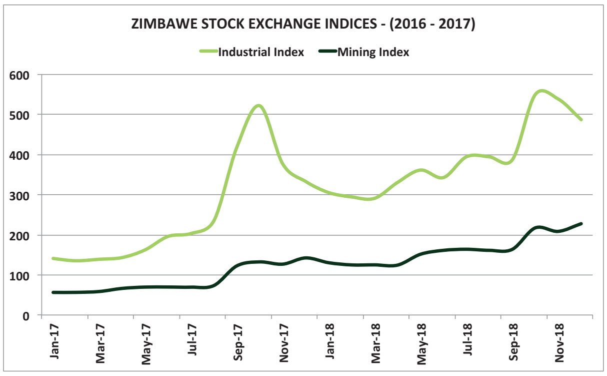
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
M-o-M	0.30	0.08	-0.25	0.08	0.03	-0.05	0.98	0.39	0.92	16.44	9.20	9.03
Y-o-Y	3.52	2.98	2.68	2.71	2.71	2.91	4.29	4.83	5.39	20.85	31.00	42.09

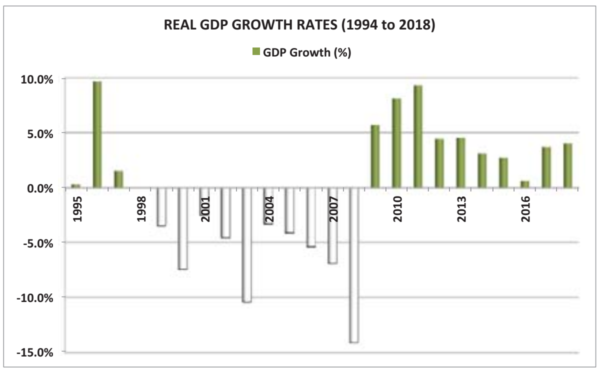


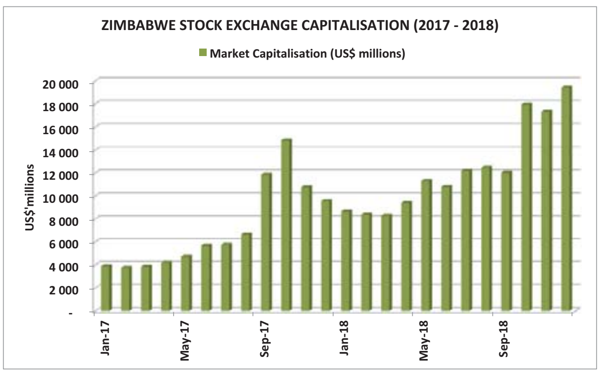




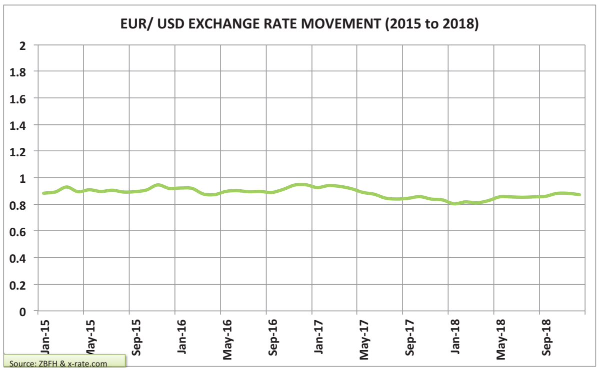


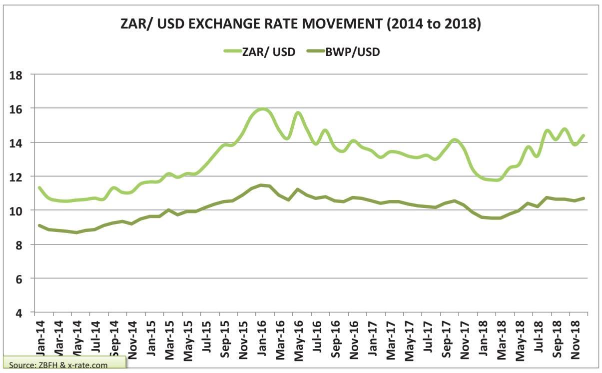


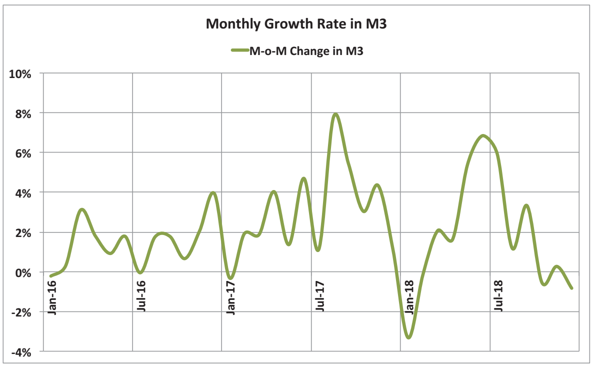


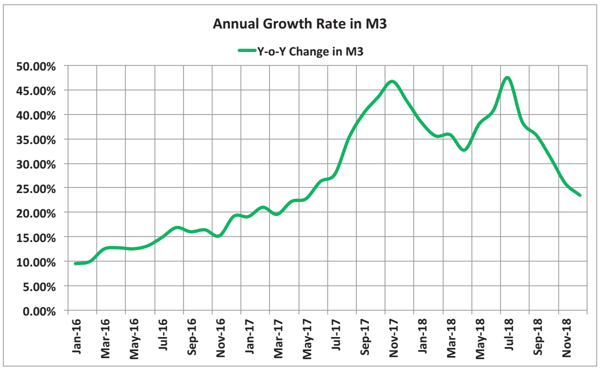


Economic Overview (continued)









Receive cash from Diaspora with ZB Bank.

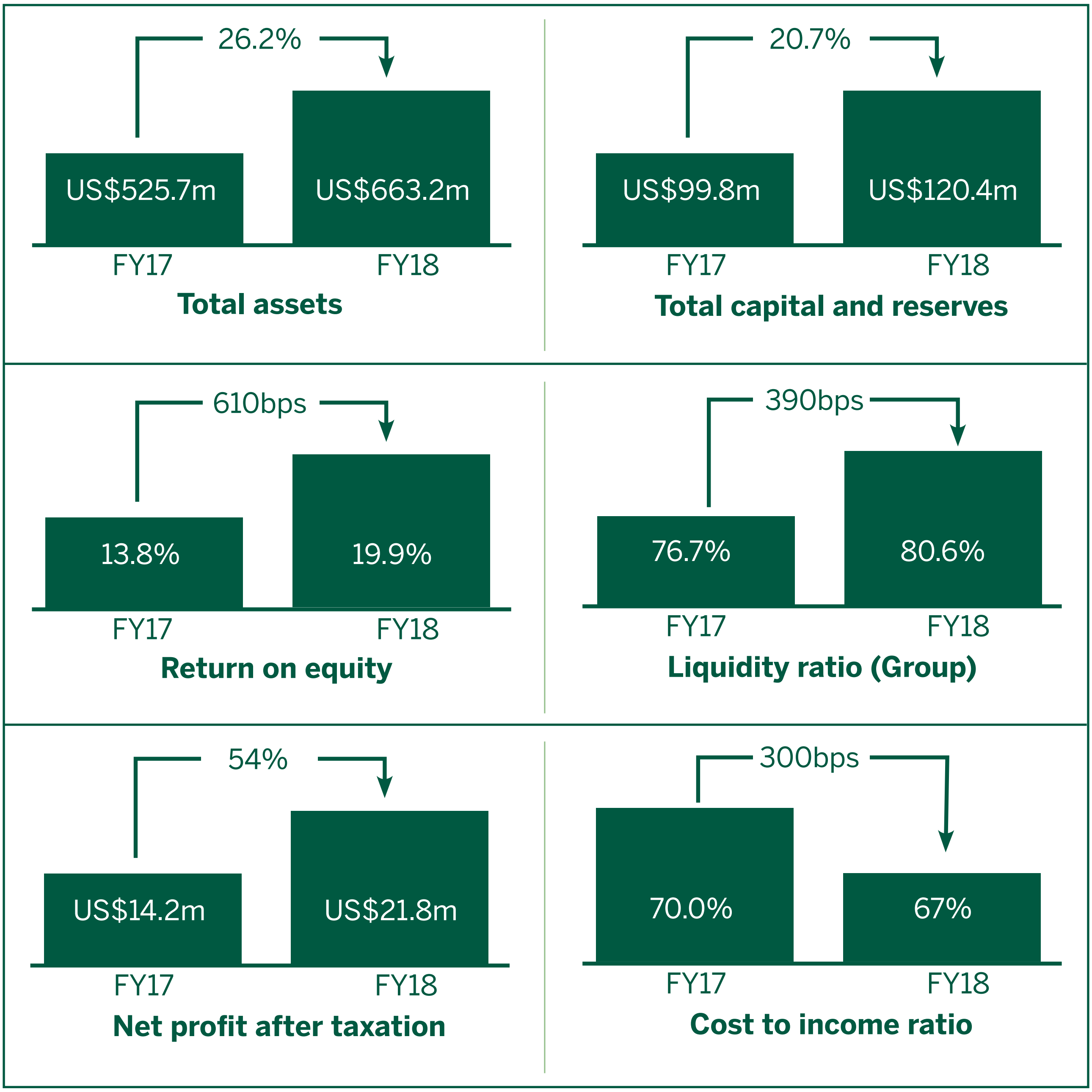
Six Year Financial Review

For the year ended 31 December 2018

in US$	2018	Restated 2017	Restated 2016	Restated 2015	Restated 2014	Restated 2013
Income Statement						
Total income	83 527 263	68 951 738	65 069 820	57 994 664	57 261 655	59 850 062
Specific and portfolio risk provision	4 920 365	2 995 395	771 021	(2 933 841)	7 702 696	1 734 701
Net income after tax	21 789 462	14 151 465	11 430 911	9 356 462	(9 806 816)	(326 656)
Attributable income	19 717 014	13 053 305	9 947 438	8 986 539	(10 261 724)	2 846 228
Balance Sheet						
Issued share capital	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906	1 751 906
Shareholders' funds	98 112 015	78 649 359	69 146 210	61 109 139	49 083 988	63 562 979
Total equity	120 373 946	99 771 226	89 433 498	80 671 038	68 450 727	77 868 544
Deposits and other accounts	433 006 499	347 105 859	275 272 254	269 697 449	243 818 336	218 615 988
Cash and short term funds	143 869 250	106 816 218	82 193 499	55 789 139	82 586 310	69 160 246
Mortgages and other advances	121 907 358	104 970 338	99 193 658	99 578 547	143 866 639	131 739 306
Risk provisions	14 289 396	7 616 804	6 684 196	9 153 069	3 735 495	4 128 278
Total assets	663 195 772	525 725 201	439 292 796	417 625 071	416 073 425	348 440 727
Statistics						
Number of shares at year end (net of treasury shares)	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	158 345 488
Weighted average number of shares (000)	157 522 902	157 522 902	157 522 902	157 522 902	157 522 902	158 345 488
Earnings per share (cents)	12.52	8.29	6.32	5.71	(5.90)	1.60
Net book asset value per share (cents)	76.42	63.34	56.77	51.21	43.45	49.18
Share price at year end (cents)	3.5	3.6	3.5	3.5	3.00	11.10
Number of employees at year end	1046	1009	922	923	1 042	1 005
Ratios (%)						
Return on average shareholders' funds	19.90%	13.80%	13.44%	12.55%	-13.40%	-0.42%
Return on average assets	3.32%	2.71%	2.32%	2.16%	-2.68%	0.82%
Non interest income to total income	77%	79%	73%	76%	79%	67%
Operating expenses to total income	70%	67%	76%	80%	99%	97%

Financial Highlights
For the year ended 31 December 2018

FINANCIAL HIGHLIGHTS



bps - Basis points

Report of the Directors

For the year ended 31 December 2018

The directors have pleasure in presenting their report to shareholders for the year ended 31 December 2018.

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.

As reported in the prior year, the matter in which Transnational Holdings limited (THL) is challenging the acquisition by the Company of a controlling interest in Intermarket Holdings Limited (IHL) remains to be finalised at the Supreme Court.

The Company has been exploring other ways of resolving the matter.

The Board is hopeful that complete and final resolution of this long-standing dispute will be found in the near future.

Financial results

The Group posted a profit for the year amounting to US$21 789 462 (2017: US$14 151 465), with a profit of US$19 717 014 (2017: US$13 053 305) being attributable to the equity holders of the parent company.

The increase in equity arising from other comprehensive income amounted to US$4 233 422 (2017: decrease of US$1 408 591).

Total assets as at 31 December 2018 amounted to US$663 195 772 (2017: US$525 725 201)

Dividends

The Board of directors has recommended a dividend equivalent to ZWL1.57 cents per share for the year ended 31 December 2018.

Going concern

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

Directorate

In terms of Article 68 of the Company's Articles of Association, Prof. Charity Manyeruke and Mr. Terekuona. S. Bvurere retire by rotation. Being eligible, they offer themselves for re-election at the forthcoming members' meeting.

Mrs. Agnes Makamure, Ms. Thenjiwe Sibanda and Mr. Kangai Maukazuva were appointed to the Board as independent non-executive directors on 1 March, 2019. Having been appointed after the last Annual General Meeting, these directors will retire at the forthcoming members' meeting in terms of Article 61 of the Company's Articles of Association, and, being eligible, offer themselves for election at the forthcoming members' meeting.

None of the directors held any shares, directly or indirectly, in the company as at 31 December 2018.

Report of the Directors (continued)

For the year ended 31 December 2018

Auditors

Shareholders will be requested to re-appoint Messrs Deloitte & Touche (Zimbabwe) as the Group's Auditor in 2019 and approve their remuneration for the year ended 31 December 2018.

Messrs Deloitte & Touche (Zimbabwe) have continued to meet the Banking Act requirements relating to the provision of audit services. Paragraph 41(4) of Part III of the Banking Act (Chapter 24:20) prohibits a banking institution from appointing as its auditor the same institution for a continuous period of more than five (5) years in any eight (8) year period. This provision will not be breached by the proposed reappointment.

By order of Board

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

Harare

29 April 2019

BOARD OF DIRECTORS

Prof. C. Manyeruke (Chairman)
Mr. R. Mutandagayi (Group Chief Executive)
Mr. F. Kapanje (Group Finance Director)
Mr. O. Akerele
Mr. T. S. Bvurere
Mrs. P. Chiromo
Mrs. A. Makamure
Mr. A. Z. Mangwiro
Mr. K. Maukazuva
Mr. J. Mutevedzi
Mr. P. B. Nyoni
Ms. T. Sibanda

Directors' Statement of Responsibility

For the year ended 31 December 2018

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 Directors are responsible for the preparation and fair presentation of the annual financial statements of ZB Financial Holdings Limited, comprising the statement of financial position at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes. The Group's financial statements as at 31 December 2018 do not fully comply with International financial Reporting Standards (IFRS), particularly IAS 21 "The Effects of Changes in Foreign Exchange Rates". Apart from the non compliance noted above, the financial statements have been compiled adopting principles from IFRS, the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant statutory instruments made there under.

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

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

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

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

The consolidated and separate annual financial statements of ZB Financial Holdings Limited, which appear on pages 55 to 200, were approved by the Board on 29 April 2019.

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 46 to 54.

Preparer of financial statements

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

....

F Kapanje CA (Z)
Registered Public Accountant number 2295

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

Harare
29 April 2019

Extracts from the Report of the Independent Actuary

As at 31 December 2018

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 2018

exceeds the amount of the liabilities in respect of those classes of insurance business by $ 7 848 416.

I wish to note the following:

- The value of assets and the value of liabilities were calculated in accordance with Statutory Instrument 95 of 2017.
- The reported excess assets mainly take account of the accounting basis ZB Life Assurance Limited adopted for investments in associate entities.
- I understand that Bond Notes and RTGS balances are officially exchangeable on a one-to-one basis with the US dollar.

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
25 April 2019

www.iac.co.za

Head Office| 6th Floor, Wale Str Chambers, 38 Wale Str, Cape Town
Gauteng Office| Bridle Close, Woodmead Office Park, Woodmead
Harare Office | 2nd Floor, Malvern Corner, 65 Sam Nujoma St
TEL | +27 861 333 820
FAX | +27 21 422 4378 | +27 11 656 4171

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

Extracts from the Report of the Independent Actuary (continued)

As at 31 December 2018

INDEPENDENT ACTUARIES & CONSULTANTS

CERTIFICATE OF THE CONSULTING ACTUARY

To the Directors,

ZB LIFE ASSURANCE LIMITED

Actuarial liabilities at 31 December 2018

I certify that the actuarial liabilities of ZB Life Assurance Limited at 31 December 2018 were as follows:

Type of Business	$
Life Assurance Business	9 819 677
Retirement Annuity Pensions, Group Pensions, Immediate and Deferred Annuities	27 620 038
Total	37 439 715

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

LE van As FASSA FIA
Consulting Actuary
Independent Actuaries & Consultants (Pty) Ltd
25 April 2019

www.iac.co.za

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Authorised Financial Services Provider | **REG No.** 2002/000342/07 | **FSP No.** 6832
Directors: W.M. Tshaka (Non-Executive Director) | A. Gani (MD)
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ZB Financial Holdings Limited
For the year ended 31 December 2018

Adverse Opinion

We have audited the consolidated and separate financial statements of ZB Financial Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 55 to 200, which comprise the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements do not present fairly, the consolidated and separate financial position of the Group as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), and the Insurance Act (Chapter 24:07).

Basis for Adverse Opinion

IAS 21 "The Effects of Changes in Foreign Exchange Rates" considerations

During the year, the Group and the Company transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms. During the course of the year, there was significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS Foreign Currency Accounts ("FCA") in comparison to the USD. Although RTGS was not legally recognised as currency during the financial year ended 31 December 2018, the substance of the economic phenomenon, from an accounting perspective, suggested that RTGS was currency for financial accounting and reporting purposes.

Independent Auditor's Report (continued)

For the year ended 31 December 2018

The Reserve Bank of Zimbabwe ("RBZ") issued a monetary policy statement in October 2018 instructing all financial institutions to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Due to this separation, there was a proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity between the two. These events were suggestive of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates". Such assessment pointed to a change in functional currency.

Subsequent to year-end, as indicated in note 3.1.1 to the consolidated and separate financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19"), with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time that the central bank issued bond notes as currency.

The Group and Company have maintained their functional currency as the USD and have presented the financial statements in USD using an exchange rate of 1:1 in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with IFRS. Had the Group and Company applied the requirements of IAS 21, many of the elements of the accompanying consolidated and separate financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the consolidated and separate financial statements of this departure have not been determined. A comparative analysis of how different exchange rates would impact on the consolidated statements of financial position has been presented in note 40 to the consolidated and separate financial statements. However, these amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

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 Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA") Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section of our report, we have determined the matters described below to be the key audit matters.

Independent Auditor's Report (continued)

For the year ended 31 December 2018

Key audit matter	How the matter was addressed in the audit
1. Legal contingencies and related accounting treatment	
Through a series of transactions executed between 2005 and 2006, ZBFHL assumed a controlling interest in Intermarket Holdings Limited ("IHL") Group. Transnational Holdings Limited ("THL"), the former controlling shareholder in IHL, has been contesting the acquisition of IHL by ZBFHL over the years and the matter is outstanding at the Supreme Court. The Board is currently exploring various means to resolve the matter, in liaison with the RBZ. This resolution framework includes a possible unbundling of the contentious assets. Should this be the preferred route, this could lead to considerations to account for these assets in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"). Because of the significance of this matter, and the potential implications on the consolidated results of the ZB Financial Holdings Limited Group, we have determined this issue to be a key audit matter.	In responding to the complexities of the identified matter, we performed the following procedures: • Reviewed the Group's continuous assessment of control over IHL in accordance with IFRS 10 in order to evaluate whether any facts and circumstances existed that would indicate that there were changes to one or more of the three elements of control; • Obtained an understanding of the series of transactions that gave rise to the acquisition of IHL by ZBFHL, then known as Zimbabwe Financial Holdings Limited; • Interrogated various options available for consideration by management, the Board and shareholders, for the resolution of the matter; • Obtained lawyers' confirmations to assess the completeness of information provided in respect of this matter; • Reviewed and evaluated the possibility and the relevance of IFRS 5 to the potential outcomes of the options available to management to resolve the matter; and • Reviewed the financial statements for appropriate presentation and disclosure.

Independent Auditor's Report (continued)

For the year ended 31 December 2018

Key audit matter	How the matter was addressed in the audit
2. 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. In the current financial year, the Group adopted the IFRS 15 "Revenue from Contracts with Customers", a new financial reporting standard that introduced a new revenue recognition model for contracts with customers in addition to requiring new disclosures. The new financial reporting standard adopted in current year, IFRS 9 "Financial Instruments", requires that impairments on financial assets be accounted for in terms of the expected credit loss model and not the previous incurred credit loss model. This standard also requires that interest on stage three financial instruments be computed on the net carrying amount of the financial instrument rather than the gross carrying amount. In addition, income from interest enhancing mechanisms should be amortized over the tenure of the loan facilities and, considering the quantum of loans issued and the inherent risk associated with automation of interest calculations, the accounting for these revenue streams by the Group. Because of the foregoing matters, revenue recognition and the automated nature of interest calculations have required that we deem revenue to be a key audit matter. The revenue recognition policy is disclosed in note 3.3 of the annual report and the revenue balance (made up of interest and non-interest income) is disclosed in notes 27 and 29.	Our audit procedures incorporated a combination of tests of the Group's internal control around revenue recognition and the use of information technology specialists in the re-computation of interest and non-interest income. Our procedures included the following: • Making enquiries of those charged with governance regarding the policies in place in recognising revenues; • Obtaining an understanding of the internal control environment. This involved obtaining evidence about the design and implementation and the operating effectiveness of the controls around revenue; • Performing detailed substantive testing of journal entries processed around revenue to ensure that these journals were appropriately authorised, complete and accurate; • Evaluation by our information technology specialists of access controls, controls around system software acquisition, system change and maintenance, application system acquisition, system development and maintenance, and program change controls; • Re-performance by our data analytic specialists of interest and non-interest income and comparison of the results thereof to recorded amounts; • Inspection and re-computation to determine that interest on stage three financial instruments was computed on the net carrying amount and not the gross carrying amount; • Inspection of the Group's revenue contracts to establish the necessity to account for revenue differently in accordance with IFRS 15; and • Inspection and testing 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.

Independent Auditor's Report (continued)

For the year ended 31 December 2018

Key audit matter	How the matter was addressed in the audit
3. Valuation of expected credit losses on financial assets	
The Group adopted the new and complex financial reporting standard, IFRS 9 "Financial Instruments" on 1 January 2018. This standard introduced the determination of impairment on financial instruments based on expected credit losses, rather than the incurred loss model previously applied under IAS 39. The closing impairment allowances reflected in the statement of financial position as at 31 December 2018 and determined in accordance with IFRS 9 amounts to US$14.3m. This was considered a key audit matter as the determination of the expected credit losses (ECL) requires significant judgment. The key areas where we identified heightened levels of Directors' judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model; • The measurement of modelled provisions, which is dependent on key assumptions relating to Probability of Default (PD – the chance that the borrowers will fail to meet their contractual obligations in the future), Loss Given Default (LGD – estimate of the loss from a transaction given that default has occurred) and expected recoveries discounted to present value; • The identification of exposures with a significant deterioration in credit quality; and • Assumptions used in the expected credit loss model. Note 2.2.2.8, note 3.4.1.5, note 27.3 and note 38.2.4 to the consolidated financial statements provide detailed information in respect of the determination of the expected credit losses.	In respect of this key audit matter, we performed the following procedures, With the assistance of the external auditors' modelling expert: • Tested the robustness of the Group's IFRS 9 implementation project, including controls around the determination of the expected credit losses; • Reviewed the Group's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; • Obtained an understanding of the Group's internal rating models for financial assets and reviewed the validation report prepared by the Group's modelling expert to assess appropriateness of the rating model; • Performed procedures to test the competence, objectivity and independence of the Group's modelling expert; • Reviewed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into their various stages; • For a sample of exposures, tested the appropriateness of the Group's staging of financial instruments; • Tested assumptions used in the ECL calculations and assessed for reasonableness; • For a sample of exposures, tested the appropriateness of determination of Exposure at Default (EAD – the total value that the Group is exposed to at the time of default) and PD; • Re-performed model validation on the Group's PD, LGD and EAD models and performed an independent assessment of the appropriateness of the models; • Reviewed the maturity dates of financial instruments to ensure completeness in the impairment models; • Tested the completeness of on- and off- balance sheet financial instruments included in the ECL calculations, as well as collateral assumed during the period under review; • Assessed consistency of inputs and assumptions used by the Group's management to determine impairment provisions; and • Reviewed the appropriateness of the opening balance adjustments.

Independent Auditor’s Report (continued)

For the year ended 31 December 2018

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">4. Adequacy of insurance provisions – incurred but not reported (IBNR) provision and life assurance liabilities</th></tr>
<tr><td>As disclosed in notes 18 and 23, the following were insurance expense and claim provisions recognized by the Group at 31 December 2018:

• Incurred but not yet reported (IBNR) provisions – US$2.4 million;
• Life assurance liabilities – US$37.4 million;

The determination of the IBNR claims provision is an area that makes use of significant qualitative and quantitative judgements and estimates due to the level of subjectivity inherent in the estimation of the occurrence and severity of claims that would have been incurred at the reporting date but have not yet been reported to the Group as at that date.

Because of the inherent susceptibility of these insurance provisions to estimation uncertainty, we have considered the insurance provisions to be a key audit matter.

Directors engaged an actuarial expert to assess the valuation of the IBNR that they had provided for. The claims provision as at 31 December 2018 was US$2.4 million (2017: US$1.6 million).

Disclosures in relation to the claims provision are included in note 2.2.2.6 and note 18 of the consolidated financial statements</td><td>In responding to the complexities of the identified matter, we performed the following:

• Enquired of those charged with governance regarding the policies in place for the determination of the provisions and inspected the policies for consistency with prior years.
• Where applicable, we performed retrospective reviews by comparing recorded provisions against actual claims incurred.
• We engaged our own internal actuarial and insurance solution experts to perform the following:
a) Critically interrogate the methodology used by the Group’s actuaries in the assessment of the provisions;
b) Assess and challenge the appropriateness of key assumptions used in the determination of the provisions;
c) Review the inputs used in the models against the source data for consistency and relevance; and
d) Assess the computations against guidance from the Insurance and Pensions Commission (IPEC).
• Where applicable, subjected the key assumptions used to sensitivity analysis.</td></tr>
</table>

Independent Auditor's Report (continued)

For the year ended 31 December 2018

Other Information

The Directors are responsible for the other information, which includes the Report of the Directors, and the Directors' Statement of Responsibility, incorporated as part of the statutory financial statements, as well as other reports contained in the Annual Report. The other reports contained in the Annual Report comprise the Chairman's Statement, the Group Chief Executive's Report, the Corporate Governance Report, the Economic Overview, and other explanatory information and anaylses, excluding audited amounts and schedules, which we obtained prior to the date of the Independent Auditor's Report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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. As described in the Basis for Adverse Opinion section above, the Group and Company maintained their functional currency as the USD and have presented the consolidated and separate financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21. We have determined that the other information is materially misstated for the same reason.

When we read the other information obtained after the date of the auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 and SI 62/96), the Banking Act (Chapter 24:20), the Building Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate 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.

Independent Auditor's Report (continued)

For the year ended 31 December 2018

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report (continued)

For the year ended 31 December 2018

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the 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.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Brian Mabiza
Partner
Registered Auditor
PAAB Practice Certificate Number: 0447
Date: 30 April 2019

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31 Dec 2018 US$	Restated 31 Dec 2017 US$
ASSETS			
Cash and cash equivalents	5	143 869 250	106 816 218
Money market investments	6	10 714 886	3 538 998
Treasury bills	7	194 347 351	155 945 191
Mortgages and other advances	8	121 907 358	104 970 338
Investment securities	9.2	56 513 232	36 713 113
Investments in associates	10.1	36 145 227	35 492 476
Inventories, trade and other receivables	11	12 050 329	12 823 409
Investment properties	12	33 323 232	29 971 963
Right of use assets	13	6 405 194	-
Property and equipment	14	36 980 940	32 853 658
Intangible assets	15	10 938 773	6 599 837
Total assets		663 195 772	525 725 201
LIABILITIES			
Deposits and other accounts	17	433 006 499	347 105 859
Trade and other payables	18	41 480 900	30 134 215
Current tax liabilities	19	134 611	23 217
Deferred tax liabilities	20	3 611 132	2 936 466
Lease liabilities	21	6 561 587	-
Long term borrowings	22	14 640 035	13 942 891
Life assurance funds	23	37 439 715	31 811 327
Offshore borrowings	24	5 947 347	-
Total liabilities		542 821 826	425 953 975
EQUITY			
Share capital	25.1	1 751 906	1 751 906
Share premium	25.2	27 081 696	27 081 696
Other components of equity	25.3	24 174 887	20 290 273
Retained income	25.4	45 103 526	29 525 484
Attributable to equity holders of parent		98 112 015	78 649 359
Non-controlling interests	25.5	22 261 931	21 121 867
Total equity		120 373 946	99 771 226
Total equity and liabilities		663 195 772	525 725 201

Approved by the Board and signed on its behalf by:

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

29 April 2019

Company Statement of Financial Position

As at 31 December 2018

	Notes	31 Dec 2018 US$	Restated 31 Dec 2017 US$
ASSETS			
Cash and cash equivalents	5	374 229	602 505
Investment securities	9	7 984 892	6 503 226
Investments in associates	10.1	2 121 828	1 910 241
Investments in subsidiaries	10.2	110 397 321	93 128 334
Inventories, trade and other receivables	11	5 435 321	6 170 832
Investment properties	12	480 000	373 000
Right of use assets	13	2 768 869	-
Property and equipment	14	291 928	465 259
Intangible assets	15	22 976	47 306
Deferred tax asset	20	59 334	472 857
Total assets		129 936 698	109 673 560
LIABILITIES			
Deposits and other accounts	17	-	1 526 326
Trade and other payables	18	16 280 239	17 429 745
Lease liabilities	21	2 854 208	-
Long term borrowings	22	14 640 035	13 942 891
Total liabilities		33 774 482	32 898 962
EQUITY			
Share capital	25.1	1 751 906	1 751 906
Share premium	25.2	27 081 696	27 081 696
Revaluation reserve	25.3	14 282	-
Retained income	25.4	67 314 332	47 940 996
Total equity		96 162 216	76 774 598
Total equity and liabilities		129 936 698	109 673 560

Approved by the Board and signed on its behalf by:

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

29 April 2019

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	COMPANY 2018 US$	COMPANY Restated 2017 US$	GROUP 2018 US$	GROUP Restated 2017 US$
Interest and related income	27.1	-	-	30 572 053	24 819 751
Interest and related expenses	27.2	-	-	(6 558 816)	(7 012 669)
Net interest and related income		-	-	24 013 237	17 807 082
Loan impairment charges, net recoveries	27.3	-	-	(4 920 365)	(2 995 395)
Net income from lending activities		-	-	19 092 872	14 811 687
Gross insurance premium income	28.1	-	-	32 787 829	30 797 523
Total insurance expenses	28.2	-	-	(22 843 786)	(21 213 596)
Net insurance premium income		-	-	9 944 043	9 583 927
Other operating income	29	14 240 945	12 241 154	45 238 306	41 826 495
Fair value adjustments	30	17 883 979	7 994 058	9 252 042	2 729 629
Total income		32 124 924	20 235 212	83 527 263	68 951 738
Operating expenses	31	(9 607 044)	(7 427 513)	(56 196 319)	(50 937 631)
Profit from ordinary activities		22 517 880	12 807 699	27 330 944	18 014 107
Movement in life assurance funds	23	-	-	(5 628 388)	(3 561 431)
Share of associate companies' profit / (losses) net of tax	10.1	211 587	(169 151)	2 240 285	3 036 154
Profit before taxation		22 729 467	12 638 548	23 942 841	17 488 830
Income tax expense	32	(408 570)	(1 153 092)	(2 153 379)	(3 337 365)
Net profit for the year		22 320 897	11 485 456	21 789 462	14 151 465
Profit attributable to:					
Owners of parent		22 320 897	11 485 456	19 717 014	13 053 305
Non-controlling interests		-	-	2 072 448	1 098 160
Profit for the year		22 320 897	11 485 456	21 789 462	14 151 465

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

For the year ended 31 December 2018

	Notes	COMPANY 2018 US$	COMPANY Restated 2017 US$	GROUP 2018 US$	GROUP Restated 2017 US$
Profit for the year		22 320 897	11 485 456	21 789 462	14 151 465
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Gains on property and equipment revaluation	25.3.2	19 235	-	2 078 759	217 483
Gains on intangible asset revaluation	25.3.2	-	-	3 009 949	-
Fair value gains / (losses) on financial assets at FVTOCI	25.3.3	-	-	595 437	(2 150 649)
Income tax relating to components of other comprehensive income	25.6	(4 953)	-	(1 450 723)	524 575
Other comprehensive income / (loss) for the year net of tax		14 282	-	4 233 422	(1 408 591)
Total comprehensive income for the year		22 335 179	11 485 456	26 022 884	12 742 874
Total comprehensive income attributable to:					
Owners of parent		22 335 179	11 485 456	23 799 970	11 598 506
Non-controlling interests		-	-	2 222 914	1 144 368
Total comprehensive income for the year		22 335 179	11 485 456	26 022 884	12 742 874
Earnings per share					
Basic and fully diluted earnings per share (US cents)	33	14.18	7.29	12.52	8.29

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital US$	Share premium US$	General reserve US$	Property and equipment revaluation reserve US$	Financial assets at FVTOCI US$	Retained income US$	Attributable to equity holders of parent US$	Non controlling interests US$	Total US$
Balance at 1 January 2017	1 751 906	27 081 696	5 610 572	12 287 546	4 005 204	18 409 286	69 146 210	20 287 288	89 433 498
Changes in equity for 2017									
Profit or loss									
Profit for the year	-	-	-	-	-	13 053 305	13 053 305	1 098 160	14 151 465
Profit for the year as previously reported	-	-	-	-	-	14 414 613	14 414 613	1 098 160	15 512 773
Prior year adjustments	-	-	-	-	-	(1 361 308)	(1 361 308)	-	(1 361 308)
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	142 058	-	-	142 058	46 208	188 266
Fair value loss on financial assets at FVTOCI	-	-	-	-	(1 596 857)	-	(1 596 857)	-	(1 596 857)
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(1 982 253)	(1 982 253)	(422 893)	(2 405 146)
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(267 827)	-	-	259 630	(8 197)	8 197	-
Transfer to retained income	-	-	543 159	(433 582)	-	(214 484)	(104 907)	104 907	-
Balance at 31 December 2017	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	29 525 484	78 649 359	21 121 867	99 771 226
Changes on initial application of IFRS9	-	-	-	-	-	(2 225 855)	(2 225 855)	(17 323)	(2 243 178)
Changes on initial application of IFRS16	-	-	-	-	-	(135 710)	(135 710)	(4 544)	(140 254)
Restated balance 1 January 2018	1 751 906	27 081 696	5 885 904	11 996 022	2 408 347	27 163 919	76 287 794	21 100 000	97 387 794
Changes in equity for 2018									
Profit or loss									
Profit for the year	-	-	-	-	-	19 717 014	19 717 014	2 072 448	21 789 462
Other comprehensive income, net of tax									
Revaluation of property	-	-	-	3 640 844	-	-	3 640 844	150 466	3 791 310
Fair value gain on financial assets at FVTOCI	-	-	-	-	442 112	-	442 112	-	442 112
Transaction with owners of the parent									
Dividends paid	-	-	-	-	-	(2 882 669)	(2 882 669)	(154 063)	(3 036 732)
Other movements									
Adjustment for regulatory reserve in respect of doubtful advances	-	-	(15 653)	-	-	26 559	10 906	(10 906)	-
Transfer to retained income	-	-	-	(182 689)	-	1 078 703	896 014	(896 014)	-
Balance at 31 December 2018	1 751 906	27 081 696	5 870 251	15 454 177	2 850 459	45 103 526	98 112 015	22 261 931	120 373 946

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Ordinary shares US$	Share premium US$	Property & equipment revaluation reserve US$	Accumulated profit US$	Total US$
Balance at 1 January 2017	1 751 906	27 081 696	-	38 437 793	67 271 395
Changes in equity for 2017					
Profit or loss					
Profit for the year	-	-	-	11 485 456	11 485 456
Profit for the year as previously reported	-	-	-	12 846 764	12 846 764
Prior year adjustments	-	-	-	(1 361 308)	(1 361 308)
Transaction with owners of the parent					
Dividend paid	-	-	-	(1 982 253)	(1 982 253)
Balance at 31 December 2017	1 751 906	27 081 696	-	47 940 996	76 774 598
Changes on initial application of IFRS 16	-	-	-	(64 892)	(64 892)
Restated balance 1 January 2018	-	-	-	47 876 104	76 709 706
Changes in equity for 2018:					
Profit or loss					
Profit for the year	-	-	-	22 320 897	22 320 897
Other comprehensive income, net of tax					
Revaluation of property	-	-	14 282	-	14 282
Transaction with owners of the parent					
Dividends paid	-	-	-	(2 882 669)	(2 882 669)
Balance at 31 December 2018	1 751 906	27 081 696	14 282	67 314 332	96 162 216

Statements of Cash Flows

For the year ended 31 December 2018

	Notes	COMPANY 2018 US$	COMPANY Restated 2017 US$	GROUP 2018 US$	GROUP Restated 2017 US$
Cash (used in) / generated from operating activities	34	(1 302 063)	(827 499)	39 678 560	30 622 416
Interest and related income received	27.1	-	-	30 572 053	24 819 751
Dividends received	29	5 175 768	4 189 334	1 944 996	58 163
Interest and related expense paid	27.2	-	-	(6 558 816)	(7 012 669)
Interest expense lease liability	21	(259 473)	-	(596 508)	-
Income tax paid	19	-	-	(1 371 523)	(2 179 347)
Net cash generated from operating activities		3 614 232	3 361 835	63 668 762	46 308 314
Cash flows from investing activities					
Purchase of investment property	12.2	-	-	(645 575)	(2 387 587)
Purchase of intangible assets	15	-	-	(3 276 535)	(1 070 337)
Purchase of property and equipment	14	(18 716)	(69 962)	(5 603 881)	(2 694 372)
Proceeds on disposal of property and equipment		32 551	2 346	60 252	97 838
Purchase of investment securities	9.3	(2 500 000)	(3 100 000)	(30 260 900)	(18 002 397)
Proceeds on disposal of investment securities	9.3	1 526 326	1 244 180	16 882 398	5 330 988
Additions of investment in associate	10.1	-	(91 147)	-	(91 147)
Net cash used in investing activities		(959 839)	(2 014 583)	(22 844 241)	(18 817 014)
Cash flows from financing activities					
Dividends paid		(2 882 669)	(1 982 253)	(3 036 732)	(2 405 146)
Net cash used in financing activities		(2 882 669)	(1 982 253)	(3 036 732)	(2 405 146)
Net (decrease) / increase in cash and cash equivalents		(228 276)	(635 001)	37 787 789	25 086 154
Cash and cash equivalents at beginning of year		602 505	1 237 506	106 816 218	82 193 499
Effects of exchange rates fluctuating on cash and cash equivalents		-	-	(734 757)	(463 435)
Cash and cash equivalents at end of year	5	374 229	602 505	143 869 250	106 816 218
Cash and cash equivalents comprise:					
Cash		374 229	602 505	9 205 116	5 486 823
Local bank accounts		-	-	131 340 832	99 365 120
Foreign bank accounts		-	-	3 323 302	1 964 275
	5	374 229	602 505	143 869 250	106 816 218

Notes to Consolidated and Separate Financial Statements

For the year ended 31 December 2018

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 Prior year adjustments on reserves, retained earnings and total assets

	COMPANY US$	GROUP US$
Changes in Total Equity		
As previously stated at 31 December 2017	78 135 906	101 132 534
Prior year adjustment	(1 361 308)	(1 361 308)
Restated balance at 1 January 2018	76 774 598	99 771 226
Changes in Retained Earnings		
As previously stated at 31 December 2017	49 302 304	30 886 792
Prior year adjustment	(1 361 308)	(1 361 308)
Restated balance at 1 January 2018	47 940 996	29 525 484
Changes in Total Assets		
As previously stated at 31 December 2017	111 034 868	527 086 509
Prior year adjustment	(1 701 635)	(1 701 635)
Prior year adjustment related deferred tax asset	340 327	340 327
Restated balance at 1 January 2018	109 673 560	525 725 201

Prior year figures were adjusted in respect of an income overstatement arising from a dividend amount of US$1 701 635 that was intimated in error from a foreign investment representing accumulations between 2008 and 2016, a period during which the Group was included in the list of specified persons by the United States of America Treasury Department's Office of Foreign Accounts Control (OFAC).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

2.1.2 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 2.1.3.

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments	1 January 2018	In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and to the comparative period. IFRS 9 introduced new requirements for: 1) The classification and measurement of financial assets and financial liabilities, 2) Impairment of financial assets, and 3) General hedge accounting. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below. a) Classification and measurement of financial instruments: All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments (continued)	1 January 2018	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 through profit of loss (FVTPL) at the end of subsequent accounting periods. In addition, under IFRS 9, the Group may make the following irrevocable elections: • 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. • to designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current year, the Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments (continued)	1 January 2018	b) Impairment of financial assets: • 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. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on: 1. Debt investments measured subsequently at amortised cost or at FVTOCI; 2. Lease receivables; 3. Trade receivables and contract assets; and 4. Financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
IFRS 9 Financial Instruments (continued)	1 January 2018	c) Classification and measurement of financial liabilities • 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. The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities. d) General hedge accounting • The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years as the Group has not designated any hedging relationships on its financial assets portfolio.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

The table below shows information relating to the reclassification and remeasurement of financial assets and liabilities as a result of transition to IFRS 9.

KEY

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 (AMCO)
- Available for Sale (AFS)
- Loans and receivables (L&R)

	Classification & measurement	IAS 39 Carrying amount as at 31 Dec 2017 US$	Reclassifications US$	Remeasurements US$	Classification & measurement	IRFS 9 Carrying amount as at 1 Jan 2018 US$
Financial Assets						
Cash and cash equivalents						
Balances with the Reserve Bank of Zimbabwe	AMCO (L&R)	64 809 565	-	-	AMCO	64 809 565
Balance with other banks, nostro accounts and cash	AMCO (L&R)	9 006 653	-	-	AMCO	9 006 653
Money market investments						
Money market investments	AMCO (L&R)	33 000 000	-	-	AMCO	33 000 000
Total cash and cash equivalents		106 816 218	-	-		106 816 218
Treasury bills						
Short term treasury bills issued by the RBZ	FVTPL	11 428 236	-	-	FVTPL	11 428 236
Medium term treasury bills acquired from the market	AFS	105 694 046	-	-	FVTOCI	105 694 046
Treasury bills issued as substitution-for debt instruments (ZAMCO treasury bills)	AMCO (L&R)	23 485 728	-	-	AMCO	23 485 728
Capitalisation treasury bills		15 337 181	-	-	AMCO	15 337 181
Total treasury bills		155 945 191	-	-		155 945 191

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

The table below shows information relating to the reclassification and remeasurement of financial assets and liabilities as a result of transition to IFRS 9.

	Classification & measurement	IAS 39 Carrying amount as at 31 Dec 2018 US$	Reclassifications US$	Remeasurements US$	Classification & measurement	IRFS 9 Carrying amount as at 1 Jan 2018 US$
On Balance Sheet						
Loans and advances						
Loans, overdrafts and other advances	AMCO (L&R)	93 635 083	-	-	AMCO	93 635 083
Mortgage loans	AMCO (L&R)	16 898 535	-	-	AMCO	16 898 535
Finance leases	AMCO (L&R)	2 841 087	-	-	AMCO	2 841 087
Bills discounted	AMCO (L&R)	1 399 977	-	-	AMCO	1 399 977
Gross advances		114 774 682	-	-		114 774 682
Allowances for loan impairment		(7 616 804)	-	(5 877 237)		(13 494 041)
Interest reserved		(2 187 540)	-	2 187 540		-
Net advances		104 970 338	-	(3 689 697)		101 280 641
Contingent assets						
Loans, overdrafts and other advances (loan commitments)		-	-	11 555 851	AMCO	11 555 851
Provisions (loan commitment)		-	-	(816 200)	AMCO	(816 200)
Guarantees	AMCO (L&R)	13 565 238	-	-	AMCO	13 565 238
Provisions (Guarantees)		-	-	(592 613)	AMCO	(592 613)
Gross contingent assets		13 565 238	-	10 147 038		23 712 276
Gross credit exposures		128 339 920	-	10 147 038		138 486 958

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

The table below shows information relating to the reclassification and remeasurement of financial assets and liabilities as a result of transition to IFRS 9.

	Classification & measurement	IAS 39 Carrying amount as at 31 Dec 2018 US$	Reclassifications US$	Remeasurements US$	Classification & measurement	IRFS 9 Carrying amount as at 1 Jan 2018 US$
Investment securities						
Unlisted equity	FVPTL	4 752 206	-	-	FVTPL	4 752 206
Listed equity	FVPTL (Held for Trading)	14 638 578	-	-	FVPTL	14 638 578
Unit Trusts	FVTPL (Held for Trading)	576 360	-	-	FVPTL	576 360
Government and public utilities stock	FVTPL	11 457 376	-	-	FVPTL	11 457 376
Group balances (embargoed funds)	AMCO (L&R)	4 362 818	-	-	AMCO	4 362 818
Debentures	AMCO (L&R)	925 775	-	-	AMCO	925 775
		36 713 113	-	-		36 713 113
Trade and other receivables						
Acrrued interest	AMCO (L&R)	270 984	-	-	AMCO	270 984
Remittances in transit	AMCO (L&R)	1 862 473	-	-	AMCO	1 862 473
Sundry assets	AMCO(L&R)	6 998 920	-	-	AMCO	6 998 920
Sundry receivables	AMCO (L&R)	2 744 376	-	-	AMCO	2 744 376
		11 876 753	-	-		11 876 753
Financial liabilities						
Liabilities						
Deposits from customers	AMCO	347 105 859	-	-	AMCO	347 105 859
Trade and other payables	AMCO	12 314 531	-	-	AMCO	12 314 531
Current tax liabilities	AMCO	23 217	-	-	AMCO	23 217
		359 443 607	-	-		359 443 607

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

The reconcialition of impairment allowances as at 1 January 2018 from IAS 39 to IFRS 9

	Loans loss allowance under IAS 39 as at 31 Dec 2017 US$	Reclassifications US$	Remeasurements US$	Loans allowance under RS 9 as at 1 Jan 2018 US$
Loans and receivables (IAS 39)/ Financial assets at amortised Cost (IFRS 9)				
Advances and other accounts	7 616 804	-	4 461 994	12 078 798
Investments securities held at amortised cost	-	-	6 430	6 430
Loan commitments and financial Guarantees				
Loan commitments	-	-	816 200	816 200
Guarantees	-	-	592 613	592 613
Total	7 616 804	-	5 877 237	13 494 041

New standard	Effective date	Major requirements
IFRS 16 *Leases*	1 January 2019	IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 replaces current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. Having fully adopted IFRS 15 Revenue from Contracts with Customers, the Group decided to early-adopt IFRS 16 and has implemented its principles from 1 January 2018. The Group has chosen the modified retrospective application of IFRS 16 with the result that comparative financial information is not restated whilst the cumulative impact of applying IFRS 16 up to the end of the prior year is accounted for as an adjustment to equity at the beginning of the year.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
IFRS 16 Leases (continued)	1 January 2019	In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Impact of the new definition of a lease The Group has chosen to make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2018. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has: – The right to obtain substantially all of the economic benefits from the use of an identified asset; and – The right to direct the use of that asset. Impact on Lessee Accounting Operating leases From the date of initial application of IFRS 16 the accounting for leases previously classified as operating leases under IAS 17 has been changed. Whilst these leases where previously considered to be off-balance sheet, from 1 January 2018 the Group now: a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments; b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. No impairment was recognised as at the reporting date.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

The impact of transition to IFRS9 and adoption of IFRS 16 on reserves, retained earnings, total liabilities and total assets

	Restated COMPANY US$	Restated GROUP US$
Changes in total equity		
Restated balance at 1 January 2018	76 774 598	99 771 226
Recognition of IFRS 9 Expected credit losses (ECL)	-	(5 877 237)
Reversal of interest in reserve	-	2 187 540
Related deferred tax	-	1 446 519
Adoption of IFRS 16	(64 892)	(140 254)
Opening balance at 1 January 2018	76 709 706	97 387 794
Changes in retained earnings		
Restated balance at 1 January 2018	47 940 996	29 525 484
Changes on initial application of IFRS 9	-	(2 225 855)
Recognition of IFRS 9 Expected credit losses (ECL)	-	(5 859 914)
Reversal of interest in reserve	-	2 187 540
Related deferred tax	-	1 446 519
Adoption of IFRS 16	(64 892)	(135 710)
Opening balance at 1 January 2018	47 876 104	27 163 919
Changes in total liabilities		
Restated balance at 1 January 2018	32 898 962	425 953 975
Related deferred tax from recognition of IFRS 9	-	(1 446 519)
Recognition of lease liabilities upon adoption of IFRS 16	3 343 115	7 926 856
Opening balance under IFRS 9 and IFRS 16 (1 January 2018)	36 242 077	432 434 312
Changes in total assets		
Restated balance at 1 January 2018	109 673 560	525 725 201
Recognition of IFRS 9 Expected credit losses (ECL)	-	(5 877 237)
Reversal of interest in reserve	-	2 187 540
Recognition of right of use assets upon adoption of IFRS 16	3 278 222	7 786 602
Opening balance at 1 January 2018	112 951 782	529 822 106

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018	In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.
IFRS 2: Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	1 January 2018	The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: • the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; • the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and • accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. • On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group currently does not have any share-based payment transactions and therefore does not anticipate any material impact on the reported financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
Transfers of Investment Property — Amendments to IAS 40	1 January 2018	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. There were no transfers into or out of Investment Property during the period under review.

2.1.4 New and revised IFRSs in issue but not yet effective

New standard	Effective date	Major requirements
IFRS 17 *Insurance Contracts*	1 January 2021	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts.* The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
IFRS 17 *Insurance Contracts (continued)*	1 January 2021	The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

New standard	Effective date	Major requirements
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

2.2 Critical accounting judgements and key sources of estimation uncertainty

Significant assumptions and estimations, as at the date of financial reporting, with material implications on the reported outturn and balances have been made in the following areas:

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$191 419 639 (2017: US$154 415 960) whilst non-cash monetary assets amounted to US$471 936 700 (2017: US$379 057 347).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

2.2.2 Key sources of estimation uncertainty

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

2.2.2.1 Fair value for unquoted investments

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

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

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

2.2.2.2 Fair value adjustments for financial liabilities

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

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

2.2.2.4 Valuation of property and equipment and investment properties and intangible assets (IAS 16 & IAS 40)

In the current year assets were revalued as at 31 December 2018 on the basis of valuations done by Bard Real Estate and Edinview Property Group (2017 – EPG Global) who are independent valuers not related to the Group and are members of the Royal Institute of Chartered Surveyors (RICS) and possess 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:

		2018		2017
	Average rentals per square meter	Average investment yield	Average rentals per square meter	Average investment yield
Office	US$5 – US$8	8% - 11%	US$4 – US$6	8% - 11%
Retail	US$7 – US$25	7.5% - 10%	US$7 – US$8.50	8% - 10%
Industrial	US$1.5 – US$4	11% - 14%	US$1.5 – 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.

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

2.2.2.4 Valuation of property and equipment and investment properties and intangible assets (IAS 16 & IAS 40) (continued)

Other general assumptions made were as follows:-

	31 Dec 2018 US$	31 Dec 2017 US$
Land selling price per square meter after development	US$40.00	US$35.00
Cost of servicing land per square meter	US$25.00	US$12.00
Imputed finance cost during development term	12%	12%
Imputed developers profit	25%	20%

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

The financial effect of the revaluation exercise is indicated below:

	31 Dec 2018 US$	31 Dec 2017 US$
Fair value adjustment on investment properties (note 12)	3 329 694	(282 372)
Revaluation adjustment on property and equipment (note 14)	2 078 759	217 483
Revaluation adjustment on intangible assets (note 15)	3 009 949	-
Total decrease in property values	8 418 402	(64 889)

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 2018	31 Dec 2017
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 14 as the charge for depreciation in the current year.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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$2 353 113 (2017: US$1 588 773).

2.2.2.7 Valuation of the life fund

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

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

	Factor	
	31 Dec 2018	31 Dec 2017
Key assumption area		
Valuation discount rates (taxed)	6%	6%
Valuation discount rates (untaxed)	6%	6%
Expense inflation rate	3.0%	2.5%
Expected real yield rate	2.6%	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 2018 is made up as follows:

	31 Dec 2018 US$	31 Dec 2017 US$
Value of total liability	27 620 038	24 133 705
Distribution of surplus in the fund	9 819 677	7 677 622
	37 439 715	31 811 327

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

2.2.2.8 The computation of expected credit losses (IFRS 9)

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk so that allowances for financial assets should be measured on a life time expected credit losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, exposure at default (EADs) and loss given default (LGDs).
- Selection of forward looking macro economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.2.2.9 Assessment of control in investments (IAS 27 & IAS 28)

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.

2.2.2.10 Estimation of effective operating lease terms and lease discount rates

a) Operating lease terms

Over and above the contracted lease terms, the Group has reassessed the effective lease periods in relation to the underlying business rationale for continued occupation, the ability of the Group to continue in occupation and whether such occupation cannot be unilaterally terminated at the sole discretion of the landlord and the state of current and perceived relations with landlords and, where lease extension beyond the formal lease agreement was assessed to be highly probable, a longer term was deemed for the purposes of determining the right of use asset and the related liability.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

2.2.2.10 Estimation of effective operating lease terms and lease discount rates (continued)

a) Operating lease terms (continued)

In applying the above, a minimum of 5 years continued occupation was assumed as providing sufficient planning flexibility for the consideration of future rental needs. The Group generally leases properties over a much longer period. The effects of applying different assumptions on the lease term are as follows:

	As reported US$	@ Minimum 10 year lease term US$	Increase /(Decrease) US$	% Increase /(Decrease) US$
Right of use asset at 1 January 2018	7 786 602	10 829 928	3 043 326	39%
Right of use asset at 31 December 2018	6 405 194	9 623 433	3 218 239	50%
Operating lease liability at 1 January 2018	7 926 856	11 082 111	3 155 255	40%
Operating lease liability at 31 December 2018	6 561 587	10 032 367	3 470 780	53%
Depreciation of right of use assets	1 381 408	1 206 495	(174 913)	(13%)
Interest expense on operating lease liabilities	596 508	912 033	315 525	53%

b) Estimation of applicable lease discount rates

A discount rate of 10%, estimating the marginal borrowing rate, was used in the computation of the right of use asset and as the cost on the operating lease liability. It was not practical to apply the implicit interest rate on each lease agreement due to technical challenges in the establishment of market values for the underlying lease assets largely due to the unstable currency dynamics in the country. Borrowing rates will differ depending on the term, risk profile of the obligor, as well as the amount involved.

The effect of application of different borrowing rates on reported balances is as follows:

Increase / (Decrease) in	As reported US$	@ 12% marginal borrowing rate US$	% Change	@ 15% marginal borrowing rate US$	% Change
Right of use asset at 1 January 2018	7 786 602	7 275 017	-7%	6 607 121	-15%
Right of use asset at 31 December 2018	6 405 194	5 975 535	-7%	5 415 936	-15%
Operating lease liability at 1 January 2018	7 926 856	7 406 249	-7%	6 712 008	-15%
Operating lease liability at 31 December 2018	6 561 587	6 097 809	-7%	5 462 765	-17%
Depreciation of right of use assets	1 381 408	1 299 482	-6%	1 191 185	-14%
Interest expense on operating lease liabilities	596 508	653 337	10%	712 535	19%

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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 except to the extent discussed in the satement of compliance note 3.1.2, 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 was the Group's functional currency as at the reporting date. All information presented has been rounded off to the nearest dollar.

Following the adoption of the multi-currency system in January 2009, all local notes in issue and balances transacted through local payment platforms were rated at par with the US$. The exchange of these balances against external obligations was done through an allocation system which was controlled by the Reserve Bank of Zimbabwe and delays were often experienced due to competing demands whilst substantially higher rates obtained in the alternative markets and became the basis for a multi-tier pricing regime that became pervasive across the economy.

Resultantly, the reported financial statements are subject to volatility depending on exchange rate scenarios presumed between the local currency base and the US$ at the reporting date. Formal establishment of trading system between the local currency and other foreign currencies was established on 22 February 2019 and the implications are covered in note 40.

Adoption of the US$ as the functional and reporting currency was done to comply with local laws and regulations, particularly , Statutory Instrument 33 of 2019 and guidance in relation to the subject issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.1.2 Statement of compliance

The Group and company annual financial statements as at, and for the year ended 31 December 2018, have been prepared under the supervision of F Kapanje CA(Z), Group Finance Director of ZB Financial Holdings Limited.

Adoption of the US$ as the functional and reporting currency was done to comply with with local laws and regulations, particularly Statutory Instrument 33 of 2019 and guidance in relation to the subject issued by the Public Accountants and Auditors Board (PAAB) on 21 March, 2019.

Consequently the Group's financial statements at 31 December 2018 do not fully comply with International Financial Reporting Standards (IFRSs), particularly IAS 21 "The Effect of Changes in Foreign Exchange Rates." Apart from the non-compliance noted above, the financial statements have been compiled adopting principles from International Financial Reporting Standards, 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 Societies Act (Chapter 24:02), the Insurance Act (Chapter 24:07) and relevant regulations made thereunder in all other respects.

The consolidated and separate financial statements were authorised for issue by the board of directors on 29 April 2019.

3.2 Basis of consolidation

Subsidiaries

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

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

Business combinations

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.2 Basis of consolidation (continued)

Non-controlling interests (NCI)

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

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

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

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.2.2 Loss of control

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

3.2.3 Associates

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

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

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

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.3.1.2 Interest expense

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

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

3.3.1.3 Effective interest method

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

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

3.3.2 Trading income

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

3.3.3 Fees and commission income

Fees and commission income that are an integral part to the effective rate of 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.3.4 Premiums (continued)

In respect of reinsurance services:-

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

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

3.3.5 Services rendered

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

3.3.6 Dividends

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

3.4 Financial instruments

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1 Classification of financial assets

Financial assets are classified into the following specified categories:

- financial assets 'at fair value through profit or loss' (FVTPL) and within this category as
  - 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 (AMCO)

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 recognized in profit or loss. Interest income from these financial assets is included in 'Interest and related income' using the effective interest rate method. Fair value is determined in the manner described in note 3.4.4.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1.2 Financial assets at FVTOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise assets that had previously been classified as financial investments available- for-sale under IAS 39.

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.

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

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

3.4.1.3 Financial assets at amortised cost

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1.3 Financial assets at amortised cost (continued)

From 1 January 2018, the Group only measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below

a) Business model assessment:-

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument -by-instrument basis , but at a higher level of aggregated portfolios and is based on observable factors such as portfolio performance evaluation basis, risks inherent in the assets in the portfolio, basis of compensation to management and the frequency, value and timing of sales from the portfolio.

The assessment is based on reasonably expected scenarios without taking 'worst case' or' stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test:-

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1.3 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

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Based on the above process, the Group places loans into Stage1, Stage2, Stage3 and POCI, as described below:

- Stage 1: refers to a financial instrument that is not credit-impaired on initial recognition. Its credit risk is continuously monitored by the Group and all repayments are current and within 30 days. Financial instruments in Stage 1 have their expected credit loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is accrued on gross carrying amount.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1.5 Impairment of financial assets (continued)

- Stage 2: If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Debt is past due for more than 30 days but less than 90 days and there is an increased possibility of credit risk developing. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on gross carrying amount.
- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The debt is past due for more than 90 days. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis. Interest income is accrued on net carrying amount. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the ECLs.

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The calculation of ECLs

The Group calculates ECLs based on a four probability -weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1.5 Impairment of financial assets (continued)

The key elements in the ECL calculations are:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. ECLs related to loan commitments and letters of credit as well as financial guarantee contracts are recognised within Provisions.

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.1.5 Impairment of financial assets (continued)

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 equity instruments at FVTOCI, 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 equity securities at FVTOCI, impairments previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognised directly in other comprehensive income.

3.4.1.6 Derecognition of financial assets

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

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

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

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.2.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

3.4.2.3 Compound instruments

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

3.4.2.4 Treasury shares

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

3.4.2.5 Financial guarantee contract liabilities

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

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

3.4.2.6 Financial liabilities

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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 (continued)

For the year ended 31 December 2018

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 recognised on an effective yield basis.

3.4.2.11 Financial liabilities under insurance and investment contracts

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

3.4.2.12 Claims and policyholder benefits

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

3.4.2.13 Derecognition of financial liabilities

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.4.3 Offsetting financial instruments

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

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

3.4.4 Fair values of financial instruments

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.5 Contingent liabilities

Contingent liabilities are disclosed when the Group:

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

3.6 Inventories

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

3.7 Acceptances

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.8 Property and equipment (continued)

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

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

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

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.9 Foreign currency transactions (continued)

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

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

3.10 Taxation

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

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

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

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.12.1 The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.12.2 The Group as lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.12.2 The Group as lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.12.2 The Group as lessee (continued)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy (note 3.8).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'other expenses' in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

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 (continued)

For the year ended 31 December 2018

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.17 Impairment of tangible and intangible assets excluding goodwill (continued)

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

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

3.18 Investment property

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.19.1 Outstanding claims reserve

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

3.19.2 Insurance liabilities

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

3.19.3 Commissions

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

3.19.4 Reinsurance held

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

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

3.20 Borrowing costs

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

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

4. SEGMENT INFORMATION

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

a) Banking Operations

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

b) Insurance Operations

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

c) Other Strategic Investments

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

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

4. SEGMENT INFORMATION (continued)

4.1 31 December 2018

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net earnings from lending activities	17 875 142	1 217 730	-	19 092 872
Net fees and commission income	39 460 110	9 972 109	467 717	49 899 936
Other revenue	8 462 272	7 980 835	(1 908 652)	14 534 455
Total segment revenue	65 797 524	19 170 674	(1 440 935)	83 527 263
Total segment operating expenses	(49 261 367)	(9 076 739)	2 141 787	(56 196 319)
Material non-cash items included in the above figures:				
Fair value adjustments	3 003 784	5 083 299	1 164 959	9 252 042
Depreciation	(2 905 173)	(205 387)	(137 069)	(3 247 629)
Amortisation of intangible assets	(1 918 867)	-	(23 939)	(1 942 806)
Reportable segment profit before taxation	16 536 157	5 012 713	2 393 971	23 942 841
Reportable segment assets as at 31 December 2018	595 138 289	80 443 755	(12 386 272)	663 195 772
Reportable segment liabilities as at 31 December 2018	493 227 404	49 394 490	199 932	542 821 826

[1] Includes consolidation journals.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

4. SEGMENT INFORMATION (continued)

4.1 Restated 31 December 2017

	Banking operations US$	Insurance operations US$	Other strategic investments[1] US$	Total US$
External revenue				
Net earnings from lending activities	14 022 573	789 114	-	14 811 687
Net fees and commission income	37 434 349	9 606 908	340 247	47 381 504
Other revenue	3 585 291	(2 835 246)	6 008 502	6 758 547
Total segment revenue	55 042 213	7 560 776	6 348 749	68 951 738
Total segment operating expenses	(44 679 134)	(7 833 977)	1 575 480	(50 937 631)
Material non-cash items included in the above figures:				
Fair value adjustments	1 033 724	1 940 541	(244 636)	2 729 629
Depreciation	(2 149 407)	(163 819)	(161 045)	(2 474 271)
Amortisation of intangible assets	(2 426 469)	-	(25 860)	(2 452 329)
Reportable segment profit before taxation	12 751 947	2 266 206	2 470 677	17 488 830
Reportable segment assets as at 31 December 2017	496 075 695	65 848 053	(36 198 547)	525 725 201
Reportable segment liabilities as at 31 December 2017	405 158 975	38 852 994	(18 057 994)	425 953 975

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

		COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
5.	CASH AND CASH EQUIVALENTS				
5.1	Balances with the Reserve Bank of Zimbabwe	-	-	130 279 409	64 809 564
5.2	Balance with other banks, nostro accounts and cash	374 229	602 505	13 589 841	42 006 654
	Total cash and cash equivalents	374 229	602 505	143 869 250	106 816 218
6.	MONEY MARKET INVESTMENTS				
	Money market investments	-	-	10 714 886	3 538 998

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%.

7. TREASURY BILLS

Treasury bills include:

		COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
7.1	Assets classified as at fair value through profit or loss' (FVTPL):				
	Short term treasury bills [1]	-	-	22 747 733	11 428 236
7.2	Assets classified as 'at fair value through other comprehensive income (FVTOCI):				
	Medium term treasury bills acquired from the market [2]	-	-	134 768 528	105 694 046
7.3	Assets classified as ' amortised cost' (AMCO):				
	Treasury bills issued as substitution for debt instruments [3]	-	-	20 727 050	23 485 728
	Capitalisation treasury bills [4]	-	-	16 104 040	15 337 181
		-	-	194 347 351	155 945 191

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

7. TREASURY BILLS (continued)

1. The Group invested in treasury bills issued by the RBZ over a period ranging from 3 months to 24 months (2017: 12 months to 36 months) and were at rates ranging from 7% to 10% (2017: 9% to 10%).
2. The Group purchased treasury bills from the secondary market. These treasury bills have coupon rates ranging from 0% to 5% (2017: 2% to 5%) with maturity periods ranging from 1 month to 3 years (2017: 1 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% (2017: 5%) and maturity periods ranging from 1 month to 14 years (December 2017: 1 month to 15 years).
4. Capitalisation Treasury Bills (CTBs) with a face value of $20 000 000 were acquired on 26/05/2015 from the Government of Zimbabwe by the holding company, ZB Financial Holdings Limited (ZBFH). The CTBs were then used to recapitalise ZB Bank Limited, a 100% owned subsidiary of ZBFH. The CTBs mature on 26/05/2025 and carry a coupon of 1% which is payable on maturity. The CTBs are carried at amortised cost, with cost having been established at fair value at initial recognition using a Discounted Cash Flow valuation technique in which an assessed discount rate of 5% was applied as a proxy for market rate in the absence of free market trade on similar instruments.

Impairment assessment

Treasury bills classified and measured at amortised cost and FVTOCI are assessed for impairment annually. There was no objective evidence at 31 December 2018 to suggest that future cash flows on the treasury bills portfolio could end up being less than anticipated at the point of initial recognition. Consequently, no impairment adjustment arose from the assessment.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

			Restated COMPANY		Restated GROUP
		31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
7.4	**Contingent treasury bill assets**				
	In respect of treasury bills held in trust on behalf of clients	-	-	38 595	1 573 494

The Group holds balances in respect of foreign currency amounts that were surrendered to the RBZ for parastatals, corporate and tobacco farmers. As part of the debt assumption process in terms of the Reserve Bank of Zimbabwe (Debt Assumption) Act 2015, treasury bills were issued in respect of the capital portion only of the balances held at the Reserve Bank. The Group received treasury bills amounting to US$6.8 million with tenures ranging from 3 to 5 years at interest rates ranging from 2% to 3.5% p.a. US$6.796 million (2017: US$5.2 million) of these treasury bills had been passed on to customers as at 31 December 2018. These treasury bills have been accounted for as off balance sheet assets as at 31 December 2018 as the Group is holding them on behalf of customers.

8. MORTGAGES AND OTHER ADVANCES

			Restated COMPANY		Restated GROUP
		31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
8.1	**Gross loan book**				
	Mortgage advances	-	-	21 282 838	16 898 535
	Other advances:				
	Loans, overdraft and other accounts	-	-	100 058 570	89 011 450
	Finance leases	-	-	7 081 950	2 841 087
	Bills discounted	-	-	1 176 573	1 399 977
	Insurance advances	-	-	6 596 823	4 623 633
	Total other advances	-	-	114 913 916	97 876 147
	Gross advances	-	-	136 196 754	114 774 682
	Off balance sheet exposures				
	In respect of guarantees	-	-	16 038 026	13 565 238
	Gross credit exposure	-	-	152 234 780	128 339 920

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

8. MORTGAGES AND OTHER ADVANCES (continued)

		Restated COMPANY		Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Gross advances	-	-	136 196 754	114 774 682
Less: Allowance for loan impairments	-	-	(14 289 396)	(7 616 804)
Less: interest reserved	-	-	-	(2 187 540)
Net advances	-	-	121 907 358	104 970 338

8.2 Maturity analysis

	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
On demand	-	-	32 774 092	34 670 224
Within 1 month	-	-	2 948 507	1 460 597
Between 1 and 6 months	-	-	13 855 323	14 503 331
Between 6 and 12 months	-	-	26 905 024	30 890 710
After 12 months	-	-	75 751 834	46 815 058
	-	-	152 234 780	128 339 920

8.3 Non-performing loans

	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Included in the above are the following;				
Non-performing loans	-	-	6 950 793	13 693 570
Less: Allowance for loan impairments	-	-	(3 282 792)	(7 616 804)
Less: Interest reserved	-	-	-	(2 187 540)
Value to be received from security held	-	-	3 668 001	3 889 226

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$6 750 809 as at 31 December 2018 (2017: US$21 586 351).

Non performing loans with a net carrying value of US$9 599 374 were transferred to a Special Purpose Vehicle called Credsave (Private) Limited (Credsave) on 31 December 2016, in a transaction that did not meet conditions of a "clean sale". Resultantly, these assets are still recognised in the statement of financial position of the Group.

As at 31 December 2018, the carrying value of these assets stood at US$5 277 307 with a security value of US$6 663 045, thus implying a security coverage of 126%. Legal proceedings for the recovery of outstanding amounts through security disposal are at various stages.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

				Restated COMPANY				Restated GROUP
	31 Dec 2018 US$	As a % of Total	31 Dec 2017 US$	As a % of Total	31 Dec 2018 US$	As a % of Total	31 Dec 2017 US$	As a % of Total
8.4 Sectorial analysis								
Gross advances								
Private	-	0%	-	0%	67 044 699	44%	45 952 412	36%
Agriculture	-	0%	-	0%	12 160 829	8%	12 748 770	10%
Mining	-	0%	-	0%	6 274 389	4%	669 365	1%
Manufacturing	-	0%	-	0%	4 946 163	3%	8 333 870	6%
Distribution	-	0%	-	0%	6 457 317	4%	6 656 510	5%
Construction	-	0%	-	0%	4 777 856	3%	1 900 415	1%
Transport	-	0%	-	0%	3 446 859	2%	3 473 088	3%
Services	-	0%	-	0%	20 786 608	14%	24 364 259	19%
Financial	-	0%	-	0%	10 024 009	7%	10 033 271	8%
Communication	-	0%	-	0%	278 025	0%	642 722	1%
	-	0%	-	0%	136 196 754	89%	114 774 682	90%
Guarantees:								
Manufacturing	-	0%	-	0%	11 910 000	8%	11 905 000	9%
Distribution	-	0%	-	0%	30 000	0%	605 609	0%
Construction	-	0%	-	0%	437 485	0%	193 486	0%
Transport	-	0%	-	0%	-	0%	6 000	0%
Services	-	0%	-	0%	3 660 541	3%	849 143	1%
Communication	-	0%	-	0%	-	0%	6 000	0%
Total guarantees	-	0%	-	0%	16 038 026	11%	13 565 238	10%
Total credit exposure	-	0%	-	0%	152 234 780	100%	128 339 920	100%
8.5 Mortgage advances								
Mortgage advances were spread as follows:								
Type of property:-								
High density	-	0%	-	0%	1 465 018	8%	1 036 570	6%
Medium density	-	0%	-	0%	2 852 072	13%	2 575 947	15%
Low density	-	0%	-	0%	11 114 184	52%	7 918 008	47%
Commercial	-	0%	-	0%	5 851 564	27%	5 368 010	32%
	-	0%	-	0%	21 282 838	100%	16 898 535	100%

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

8.6 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:

		Restated COMPANY		Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Gross investment in finance leases:				
Less than 1 year	-	-	496 894	816 012
Between 1 and 5 years	-	-	7 750 946	2 349 113
Gross investment in finance leases	-	-	8 247 840	3 165 125
Unearned finance charges	-	-	(1 165 890)	(324 038)
Net investment in finance leases	-	-	7 081 950	2 841 087
Less than 1 year	-	-	471 507	780 903
Between 1 and 5 years	-	-	6 610 443	2 060 184
	-	-	7 081 950	2 841 087

8.7 Determination of carrying value

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

9. INVESTMENT SECURITIES

	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
9.1 Assets classified as "fair value-through profit or loss":				
Unit Trusts	-	-	543 145	576 360
Government and public utilities stock	-	-	21 361 580	12 383 151
Listed equity investments	1 491 137	1 108 211	23 314 962	14 638 578
Unlisted equity investments	493 755	368 689	7 839 210	4 752 206
	1 984 892	1 476 900	53 058 897	32 350 295
9.2 Held at amortised cost				
Embargoed funds	-	-	3 454 335	4 362 818
Short term investments	6 000 000	5 026 326	-	-
	7 984 892	6 503 226	56 513 232	36 713 113

Valuation techniques for assets held at fair value are discussed in note 38.2.1.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

		COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
9.3	**Movement of investment securities**				
	Balance at beginning of year	6 503 226	3 904 486	36 713 113	20 398 857
	Additions during the year:	2 500 000	3 100 000	30 260 900	18 002 397
	- on listed equity investments	-	-	5 735 041	9 154 017
	- on Government stock	-	-	24 525 859	8 848 380
	- on short term investments	2 500 000	3 100 000	-	-
	Disposals	(1 526 326)	(1 244 180)	(16 882 398)	(5 330 988)
	- on listed equities	-	-	(258 578)	(2 276 906)
	- on unlisted investments	-	-	(50 000)	-
	- on Government stock	-	-	(14 839 093)	(1 619 180)
	- on short term investments	(1 526 326)	(1 244 180)	-	-
	Receipt of part of embargoed funds	-	-	(1 734 727)	(1 434 902)
	Fair value adjustments (note 30)	507 992	742 920	5 922 348	3 012 001
	- on listed equities	382 927	718 614	5 817 802	2 378 081
	- on unlisted equities	125 065	24 306	137 761	570 943
	- on unit trust investments	-	-	(33 215)	62 977
	Reclassification from investments in associates	-	-	-	487 564
	Gains arising from disposal of investment securities:	-	-	614 852	141 572
	Exchange gains / (net):	-	-	1 142	1 710
	-on bank balances	-	-	1 246	1 426
	-on unlisted equity investments	-	-	(104)	284
	Impairments on debentures	-	-	(116 725)	-
	Balance at end of year	7 984 892	6 503 226	56 513 232	36 713 113
10.	**GROUP INVESTMENTS**				
10.1	**Investments in associates**				
	Balance at beginning of year	1 910 241	1 988 245	35 492 476	35 231 971
	Acquisitions	-	91 147	-	91 147
	Reclassified to investment securities	-	-	-	(487 564)
	Dividend received	-	-	(1 587 534)	(2 379 232)
	Share of current year profits / (losses) after tax	211 587	(169 151)	2 240 285	3 036 154
	Balance at end of year	2 121 828	1 910 241	36 145 227	35 492 476

Notes to Consolidated and Separate Financial Statements (continued)

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10.1 Investments in associates (continued)

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

Name of company	COMPANY 2018 % Holding	COMPANY 2017 % Holding	GROUP 2018 % Holding	GROUP 2017 % Holding
Cell Insurance (Private) Limited [1]	33.32%	33.32%	33.32%	33.32%
Zimswitch Technologies (Private) Limited [2]	-	-	27.68%	27.68%
Original Investments (Private) Limited [3]	-	-	42.00%	42.00%
Twirlton Investments (Private) Limited [3]	-	-	26.00%	26.00%
Mashonaland Holdings Limited [3]	-	-	34.72%	34.72%
- Shareholder	-	-	19.31%	19. 31%
- Policyholders	-	-	15.41%	15 .41%

Nature of Business

[1] Short-term insurance
[2] Payments switch
[3] Property

Aggregated amounts relating to associate companies:	COMPANY 2018	COMPANY 2017	GROUP 2018	GROUP 2017
Total assets	19 091 503	18 091 567	135 310 478	128 743 005
Total liabilities	12 541 670	12 358 551	27 141 532	25 008 630
Revenue	4 417 454	3 760 612	34 524 665	22 921 432
Profit	294 667	(507 656)	15 718 804	14 012 058
Share of profits / (losses) after tax	211 587	(169 151)	2 240 285	3 036 154
Dividend received	-	-	1 587 534	2 379 232

10.2 Investments in subsidiaries

	COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec2017 US$
Balance at beginning of year	93 128 334	85 906 196	-	-
Fair value adjustments (note 30)	17 268 987	7 222 138	-	-
As previously reported	17 268 987	8 583 446	-	-
Prior year adjustment	-	(1 361 308)	-	-
Balance at end of year	110 397 321	93 128 334	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

10.2 Investments in subsidiaries (continued)

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Owned by ZB Financial Holdings Limited (Company):-				
ZB Bank Limited - 100%	70 820 891	60 772 714	-	-
As previously reported	70 820 891	62 134 022	-	-
Prior year adjustment	-	(1 361 308)	-	-
Scotfin Limited - 100%	-	-	-	-
ZB Holdings Limited - 100%	2 435 677	1 064 958	-	-
Intermarket Holdings Limited - 84.26%	35 164 734	29 626 707	-	-
ZB Transfer Secretaries – 100%	1 170 382	881 059	-	-
ZB Associated Services - 100%	805 637	782 896	-	-
Total investments in subsidiaries	110 397 321	93 128 334	-	-

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 the Group and external customers.

ZB Holdings Limited and Intermarket Holdings Limited are investment companies holding interests in businesses involved in subsectors of the financial sector.

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

Other subsidiary companies in the Group are as follows:

	2018 % Holding	2017 % 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

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10.2 Investments in subsidiaries (continued)

	2018 % Holding	2017 % Holding	Nature of business	Status
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 [2]	69%	64%	Life assurance	Active
ZB Building Society	59%	59%	Building society	Active
Owned by ZB Building Society:				
Finsure Investments (Private) Limited	51%	51%	Property	Active
Wentspring Investments (Private) Limited	100%	100%	Investment	Active
Owned by ZB Life Assurance Limited:				
Intermarket Properties (Cinema) (Private) Limited	100%	100%	Property	Active
Aasaculz (Private) Limited	100%	100%	Property	Active
Citiside (Private) limited	60%	60%	Leisure	Active
Checkweighers Farmers (Private) Limited	65%	65%	Property	Active

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.

[2] The increase in shareholding for ZB Life was as a result of disposal of treasury shares in trust.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

10.4 Non-controlling interests (NCI)

31 December 2018

	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	31%	4%		
	US$	US$	US$	US$	US$	US$
Non current assets	108 574 248	27 387 079	38 297 505	9 285 752		
Current assets	27 572 440	21 559 930	23 120 160	-		
Non current liabilities	(40 499 720)	(846 427)	(38 541 668)	(471 542)		
Current liabilities	(38 175 319)	(25 202 195)	(3 249 738)	(622 602)		
NCI recorded in subsidiaries	(15 737 196)	(4 586 869)	(66 554)	-		
Net assets	41 734 453	18 311 518	19 559 705	8 191 608		
Carrying amount of NCI	6 569 718	7 551 670	5 960 308	340 608	1 839 627	22 261 931
Revenue	27 340 828	6 455 241	14 371 912	1 874 485		
Profit	6 422 855	605 108	2 329 789	1 765 891		
OCI	453 720	196 698	145 193	-		
Total comprehensive income	6 876 575	801 806	2 474 982	1 765 891	-	-
Profit allocated to NCI	1 091 527	179 706	(10 727)	73 426	738 516	2 072 448
OCI allocated to NCI	93 811	-	(16 069)	-	72 724	150 466
Cash flows from operating activities	(1 396 615)	16 119 999	(176 223)	-		
Cash flows from investment activities	(6 573 628)	(320 922)	-	-		
Cash flows from financing activities (dividends to NCI)	(154 053)	(187 250)	-	-		
Net (decrease)/ increase in cash and cash equivalents	(8 124 306)	15 611 827	(176 223)	-		

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

10.4 Non-controlling interests (NCI) (continued)

31 December 2017

	IHL	ZBBS	ZB Life	IBCL	Intra Group Eliminations	Total
NCI Percentage	16%	41%	36%	4%		
	US$	US$	US$	US$	US$	US$
Non current assets	87 865 803	23 924 227	35 792 350	7 421 192		
Current assets	28 858 016	21 690 925	16 009 333	-		
Non current liabilities	(34 244 816)	(765 924)	(33 673 525)	(380 349)		
Current liabilities	(31 685 445)	(22 530 743)	(2 354 628)	(615 126)		
NCI recorded in subsidiaries	(15 631 784)	(4 407 164)	(93 350)	-		
Net assets	35 161 774	17 911 321	16 680 180	6 425 717		
Carrying amount of NCI	5 535 066	7 386 629	6 079 926	267 182	1 853 064	21 121 867
Revenue	20 945 715	7 491 866	10 650 364	68 910		
Profit	3 058 373	1 297 889	1 272 582	45 445		
OCI	899 813	3 975	65 636	-		
Total comprehensive income	3 958 186	1 301 864	1 338 218	45 445		
Profit allocated to NCI	857 978	107 670	(11 267)	-	143 779	1 098 160
OCI allocated to NCI	41 836	-	14 987	-	(10 615)	46 208
Cash flows from operating activities	1 792 723	4 054 517	(1 220 478)	(1 630)		
Cash flows from investment activities	(7 629 151)	(2 569 297)	39 382	1 630		
Cash flows from financing activities (dividends to NCI)	(422 893)	(578 516)	-	-		
Net (decrease) / increase in cash and cash equivalents	(6 259 321)	906 704	(1 181 096)	-		

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

11. INVENTORIES, TRADE AND OTHER RECEIVABLES

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Inventories	-	-	2 510 492	2 307 964
Items in transit	-	-	3 657 577	1 862 473
Prepayments	-	-	1 843 873	6 998 920
Sundry receivables	5 435 321	6 170 832	4 038 387	1 654 052
Total	5 435 321	6 170 832	12 050 329	12 823 409

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

12. INVESTMENT PROPERTIES

		COMPANY	Restated COMPANY	GROUP	Restated GROUP
		31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
12.1	**Made up as follows:**				
	Land stock held for capital appreciation and completed properties available for lease:				
	-Residential	480 000	373 000	10 796 532	10 020 205
	-Commercial	-	-	20 546 700	18 801 758
	-Industrial	-	-	1 980 000	1 150 000
	Balance at end of year	480 000	373 000	33 323 232	29 971 963
12.2	**Reconciliation of carrying amount**				
	Carrying amount at beginning of year	373 000	344 000	29 971 963	26 728 848
	Additions	-	-	645 575	2 387 587
	Transfer to inventories	-	-	(624 000)	-
	Reclassification from non-current assets held for sale (note 16)	-	-	-	1 137 900
	Fair value adjustment (note 30)	107 000	29 000	3 329 694	(282 372)
	Balance at end of year	480 000	373 000	33 323 232	29 971 963

Available for lease properties are leased out under operating lease to various tenants. The initial contracts are for a minimum period of one year after which they may be extended as negotiated. Rental income generated from investment properties amounted to US$1 194 232 (2017: US$962 616). Repairs and maintenance costs on investment properties that generated investment income amount to US$146 961 (2017: US$30 460).

No financial encumberances existed on any of the properties included under investment properties.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

12.3 Measurement of fair value

The fair value of the Group's investment properties as at 31 December 2018 was arrived at on the basis of valuations carried out by independent professional valuers, Bard Real Estate (2017: Edinview Property Group). The valuation, which conforms to International Valuation Standards, was in terms of accounting policy 3.18 and was derived with reference to market information close to the date of the valuation.

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

12.3 Valuation techniques and significant unobservable inputs

Valuation technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
The **Investment Method** was applied on all income producing properties. Market capitalisation rates were derived from market sales evidence and were determined in consultation with other investors and property brokers in the market. The **Direct Comparison Method** was applied on all residential properties, after Bard Real Estate identified various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent (MSE) principle. The total MSE of comparable areas was then used to determine the value per square meter of MSE.	Average rentals per square metre - US$2.5 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 (continued)

For the year ended 31 December 2018

13. RIGHT OF USE ASSETS

The Group recognises right of use assets in respect of non-cancellable operating lease agreements that are classified as neither short-term nor low value leases in terms of accounting policy note 3.12.2. The movement in the right of use asset during the year was as follows:

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Initial adoption of IFRS 16	3 278 222	-	7 786 602	-
Depreciation	(509 353)	-	(1 381 408)	-
Balance at end of year	2 768 869	-	6 405 194	-

The corresponding operating lease liabilities matching the above assets are discussed in note 21.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

14. PROPERTY AND EQUIPMENT

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Marine assets and Motor vehicles US$	Capital work in progress US$	Total US$
GROUP							
Cost or valuation							
Balance at 1 January 2018	22 338 396	6 898 589	6 147 540	10 072 703	5 664 226	-	51 121 454
Additions	-	104 530	209 727	2 073 590	2 506 689	709 345	5 603 881
Disposals	-	(2 664)	(368 876)	(400 441)	(259 962)	-	(1 031 943)
Transfers between categories	-	261 028	85 075	5 922	-	(352 025)	-
Surplus on revaluation	(259 771)	48 269	274 992	1 749 701	265 568	-	2 078 759
Balance at 31 December 2018	22 078 625	7 309 752	6 348 458	13 501 475	8 176 521	357 320	57 772 151
Accumulated depreciation							
Balance at 1 January 2018	498 694	3 638 937	3 453 211	6 501 274	4 175 680	-	18 267 796
Recognised in statement of profit or loss	4 929	618 744	531 367	1 560 648	531 941	-	3 247 629
Disposals	-	-	(282 314)	(352 860)	(233 965)	-	(869 139)
Impairment	-	57 517	75 129	12 279	-	-	144 925
Balance at 31 December 2018	503 623	4 315 198	3 777 393	7 721 341	4 473 656	-	20 791 211
Carrying value at 31 December 2018	21 575 002	2 994 554	2 571 065	5 780 134	3 702 865	357 320	36 980 940
Restated carrying value at 31 December 2017	21 839 702	3 259 652	2 694 329	3 571 429	1 488 546	-	32 853 658

All properties and equipment were revalued as at 31 December 2018 on the basis of valuations carried out by independent and professional valuers Bard Real Estate and in terms of accounting policy 3.8.

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.

No encumberances existed on any of the property and equipment in portfolio as at 31 December 2018.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

14. PROPERTY AND EQUIPMENT (continued)

	Freehold properties US$	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Marine assets and Motor vehicles US$	Total US$
GROUP						
Cost or valuation						
Balance at 1 January 2017	22 209 312	6 747 110	5 922 753	8 130 936	5 661 023	48 671 134
Additions	-	151 479	267 591	1 960 465	314 837	2 694 372
Disposals	-	-	(42 804)	(18 698)	(400 033)	(461 535)
Surplus on revaluation	129 084	-	-	-	88 399	217 483
Balance at 31 December 2017	22 338 396	6 898 589	6 147 540	10 072 703	5 664 226	51 121 454
Accumulated depreciation						
Balance at 1 January 2017	494 510	3 043 926	2 940 775	5 558 247	4 160 885	16 198 343
Recognised in statement of profit or loss	4 184	595 011	541 902	958 652	374 522	2 474 271
Disposals	-	-	(29 466)	(15 625)	(359 727)	(404 818)
Balance at 31 December 2017	498 694	3 638 937	3 453 211	6 501 274	4 175 680	18 267 796
Restated carrying value at 31 December 2017	21 839 702	3 259 652	2 694 329	3 571 429	1 488 546	32 853 658
Carrying value at 31 December 2016	21 714 802	3 553 998	2 915 416	2 572 689	1 500 138	32 257 043

Immovable properties and marine assets were revalued as at 31 December 2017 on the basis of valuations carried out by independent and professional valuers, Edinview Property Group and in terms of accounting policy 3.8. All movable assets were 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.

No encumberances existed on any of the property and equipment in portfolio as at 31 December 2017.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

	Leasehold improvements US$	Equipment furniture & fittings US$	Computer equipment US$	Motor vehicles US$	Total US$
14. PROPERTY AND EQUIPMENT (continued)					
COMPANY					
2018					
Cost or valuation					
Balance at 1 January 2018	19 175	603 011	501 565	158 924	1 282 675
Additions	3 840	8 697	6 179	-	18 716
Disposals	(2 664)	(79 186)	(71 386)	-	(153 236)
Revaluation of property	-	-	6 785	12 450	19 235
Balance at 31 December 2018	20 351	532 522	443 143	171 374	1 167 390
Accumulated depreciation					
Balance at 1 January 2018	7 660	340 798	329 865	139 093	817 416
Recognised in statement of profit or loss	2 036	51 995	44 635	-	98 666
Disposals	-	(59 862)	(60 823)	-	(120 685)
Impairment	5 646	74 419	-	-	80 065
Balance at 31 December 2018	15 342	407 350	313 677	139 093	875 462
Carrying value at 31 December 2018	5 009	125 172	129 466	32 281	291 928
2017					
Cost or valuation					
Balance at 1 January 2017	18 725	597 610	445 730	158 924	1 220 989
Additions	450	10 482	59 030	-	69 962
Disposals	-	(5 081)	(3 195)	-	(8 276)
Balance at 31 December 2017	19 175	603 011	501 565	158 924	1 282 675
Accumulated depreciation					
Balance at 1 January 2017	5 732	286 600	279 834	127 997	700 163
Recognised in statement of profit or loss	1 928	57 356	52 803	11 096	123 183
Disposals	-	(3 158)	(2 772)	-	(5 930)
Balance at 31 December 2017	7 660	340 798	329 865	139 093	817 416
Carrying value at 31 December 2017	11 515	262 213	171 700	19 831	465 259

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

15. INTANGIBLE ASSETS

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Computer software				
Carrying amount at beginning of year	47 306	68 740	6 599 837	7 981 829
Additions at cost	-	-	3 276 535	1 070 337
Revaluation	-	-	3 009 949	-
Amortisation	(19 588)	(21 434)	(1 942 806)	(2 452 329)
Impairment	(4 742)	-	(4 742)	-
Balance at end of year	22 976	47 306	10 938 773	6 599 837

16. NON CURRENT ASSETS HELD FOR SALE

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Carrying amount at the beginning of the year	-	-	-	1 137 900
Reclassification to investment properties (note 12.1)	-	-	-	(1 137 900)
Balance at end of year	-	-	-	-

The Group has shelved previous plans to dispose of an industrial property situated at number 3 Hermes Road, Southerton, Harare. The building has now been leased out.

17. DEPOSITS AND OTHER ACCOUNTS

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
17.1 Summary of deposits				
by type				
Balances of banks	-	-	14 782 338	13 204 876
Current accounts	-	-	83 328 068	53 674 201
Savings and call accounts	-	-	218 078 485	154 062 830
Fixed deposits	-	-	116 817 608	124 637 626
Agrobills	-	1 526 326	-	1 526 326
	-	1 526 326	433 006 499	347 105 859
17.2 Maturity analysis				
On demand	-	-	293 077 348	204 471 996
Within 1 month	-	-	66 500 949	74 799 158
Between 1 and 6 months	-	-	58 432 600	47 814 346
Between 6 and 12 months	-	-	4 229 760	9 548 216
After 12 months	-	1 526 326	10 765 842	10 472 143
	-	1 526 326	433 006 499	347 105 859

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

					Restated COMPANY				Restated GROUP
		31 Dec 2018 US$	% Contribution	31 Dec 2017 US$	% Contribution	31 Dec 2018 US$	% Contribution	31 Dec 2017 US$	% Contribution
17.3	**Deposit concentration**								
	Private individuals	-	-	-	-	70 324 261	16%	66 917 207	19%
	Agriculture	-	-	-	-	29 991 967	7%	11 494 136	3%
	Mining	-	-	-	-	2 293 046	1%	1 185 693	0%
	Manufacturing	-	-	-	-	44 042 584	10%	44 319 480	13%
	Distribution	-	-	-	-	11 154 236	3%	10 721 119	3%
	Construction	-	-	-	-	4 758 353	1%	6 125 661	2%
	Transport	-	-	-	-	3 943 394	1%	1 574 764	0%
	Services	-	-	-	-	154 186 881	36%	92 350 640	27%
	Financial	-	-	1 526 326	100%	56 225 344	13%	66 254 215	19%
	Communication	-	-	-	-	56 086 433	12%	46 162 944	14%
		-	-	1 526 326	100%	433 006 499	100%	347 105 859	100%

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

18. TRADE AND OTHER PAYABLES

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Amounts due to other banks	-	-	1 097 855	-
Unearned premium reserve	-	-	1 950 443	1 278 509
Incurred but not yet reported claims reserve	-	-	2 353 113	1 588 773
Income received in advance	-	-	11 449 146	12 239 822
Interest accrued on deposits	-	-	865 385	1 021 598
Items in transit	4 019 912	4 046 514	5 869 642	4 882 546
Accrued expenses and provisions	-	-	2 773 282	2 787 084
Policyholders claims intimated But not paid	-	-	432 019	368 203
Trade payables	12 260 327	13 383 231	14 690 015	5 967 680
	16 280 239	17 429 745	41 480 900	30 134 215

19. CURRENT TAX LIABILITIES

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Balance at beginning of year	-	-	23 217	132 109
Recognised in statement of profit or loss (note 32)	-	-	1 482 917	2 070 455
Tax payments	-	-	(1 371 523)	(2 179 347)
	-	-	134 611	23 217

20. DEFERRED TAX (ASSETS) / LIABILITIES

20.1 Deferred tax

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Deferred tax asset	(59 334)	(472 857)	(160 567)	(586 839)
Deferred tax liability	-	-	3 771 699	3 523 305
Net deferred tax (assets) / liabilities	(59 334)	(472 857)	3 611 132	2 936 466

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

20.2. DEFERRED TAX (continued)

	Balance at 1 January US$	Recognised in profit or loss US$	Recognised in OCI US$	other transactions affecting equity US$	Balance at 31 December US$
GROUP					
2018					
Property and equipment	1 510 872	28 281	1 297 398	-	2 836 551
Fair value adjustments to financial assets	888 514	374 399	-	-	1 262 913
Assessed losses	(726 663)	385 948	-	-	(340 715)
Fair value gains on available for sale treasury bills	835 218	-	153 325	-	988 543
Other	428 525	(118 166)	-	-	310 359
Changes on initial application of IFRS9	-	-	-	(1 446 519)	(1 446 519)
	2 936 466	670 462	1 450 723	(1 446 519)	3 611 132
Restated					
2017					
Property and equipment	2 248 695	(767 040)	29 217	-	1 510 872
Fair value adjustments to financial assets	678 903	209 611	-	-	888 514
Assessed losses	(2 500 013)	1 773 350	-	-	(726 663)
Fair value gains on available for sale treasury bills	1 389 010	-	(553 792)	-	835 218
Other	377 536	50 989	-	-	428 525
	2 194 131	1 266 910	(524 575)	-	2 936 466
COMPANY					
2018					
Property and equipment	137 211	(63 948)	4 953	-	78 216
Fair value adjustments to financial assets	14 768	98 893	-	-	113 661
Assessed loss	(624 836)	373 625	-	-	(251 211)
	(472 857)	408 570	4 953	-	(59 334)
Restated					
2017					
Property and equipment	162 608	(25 397)	-	-	137 211
Fair value adjustments to financial assets	7 339	7 429	-	-	14 768
Assessed loss	(1 795 896)	1 171 060	-	-	(624 836)
	(1 625 949)	1 153 092	-	-	(472 857)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

21. LEASE LIABILITIES

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 5 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

In terms of note 3.12 the Group recognises a lease liability in respect of discounted future payment commitments and accrued notional interest cost, net of any actual payments made during the period for all non-cancellable operating lease commitments that are assessed as neither short-term nor low value leases.

The movement in the operating lease liability during the year was as follows:

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Initial adoption of IFRS 16	3 343 115	-	7 926 856	-
Add accrued interest posted to profit and loss	259 473	-	596 508	-
Less lease commitments paid during the year	(748 380)	-	(1 961 777)	-
Balance at end of year	2 854 208	-	6 561 587	-

The future aggregate minimum lease payments under the above non-cancellable operating leases are as follows:

	COMPANY 31 Dec 2018 US$	COMPANY Discounted Value US$	GROUP 31 Dec 2018 US$	GROUP Discounted Value US$
Below 1 year	-	-	-	-
Between 1 and 5 years	-	-	5 427 537	2 791 081
More than 5 years	4 038 720	2 854 208	7 357 190	3 770 506
Balance at end of year	4 038 720	2 854 208	12 784 727	6 561 587

There were no material operating lease additions or modifications during the year.

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
22. LONG TERM BORROWINGS				
Comprising of:				
Face value of loan	20 000 000	20 000 000	20 000 000	20 000 000
Valuation discount	(5 359 965)	(6 057 109)	(5 359 965)	(6 057 109)
Balance at end of year	14 640 035	13 942 891	14 640 035	13 942 891
Valuation discount:				
Balance at beginning of the year	6 057 109	6 463 213	6 057 109	6 463 213
Amortisation during the year (note 31)	(697 144)	(406 104)	(697 144)	(406 104)
Balance at end of year	5 359 965	6 057 109	5 359 965	6 057 109

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

22. LONG TERM BORROWINGS (continued)

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

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

23. LIFE ASSURANCE FUNDS

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Balance at beginning of year	-	-	31 811 327	28 249 896
Changes in policyholders' liabilities	-	-	5 628 388	3 561 431
-Gross premium income	-	-	13 037 261	11 698 891
-Investment and other income	-	-	7 213 155	4 199 918
-Benefits paid and surrenders	-	-	(5 222 195)	(5 292 644)
-Marketing and administration expenses	-	-	(7 059 318)	(5 537 549)
-Surplus distribution	-	-	(2 340 515)	(1 507 185)
Balance at end of year	-	-	37 439 715	31 811 327

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.

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

23. LIFE ASSURANCE FUNDS (continued)

Life fund liabilities are supported by the following net assets:

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Listed equities	-	-	12 042 091	5 992 857
Unlisted equities	-	-	2 704 018	2 624 140
Gold fund	-	-	375 479	398 440
Government and public utilities stock	-	-	4 265 322	3 919 339
Investment properties	-	-	1 482 960	1 315 752
Funds on deposit	-	-	5 331 440	5 582 193
Equity accounted investments	-	-	11 776 387	11 550 053
Trade and other receivables	-	-	246 941	935 891
Gross assets	-	-	38 224 638	32 318 665
Less: Deferred tax liabilities	-	-	(281 692)	(171 682)
Trade and other payables	-	-	(468 833)	(296 117)
Income tax payable	-	-	(34 398)	(39 539)
Net assets	-	-	37 439 715	31 811 327

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

24 OFFSHORE BORROWINGS

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Balance at beginning of year	-	-	-	-
New loans	-	-	5 947 347	-
Balance at end of year	-	-	5 947 347	-

The offshore borrowings are in respect of loans advanced to ZB Bank Limited at interest rates ranging from 9.49% to 9.56%. The loans mature on 5 October 2022. The funds were used for on lending to the Bank's customers.

25. EQUITY AND RESERVES

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
25.1 Share capital				
Company:				
Authorised:				
1 000 000 000 ordinary Shares of US$0.01 each	10 000 000	10 000 000	10 000 000	10 000 000
Issued and fully paid:				
175 190 642 ordinary shares of US$0.01 each	1 751 906	1 751 906	1 751 906	1 751 906
Analysis of number of shares				
in issue issued shares	175 190 642	175 190 642	175 190 642	175 190 642
Treasury shares	(17 667 740)	(17 667 740)	(17 667 740)	(17 667 740)
Net trading shares	157 522 902	157 522 902	157 522 902	157 522 902

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

25.2 Fully paid ordinary shares and share premium

	COMPANY		GROUP	
	Share capital US$	Share premium US$	Share capital US$	Share premium US$
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	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
25.3 Other components of equity				
General reserve (see note 25.3.1 below)	-	-	5 870 251	5 885 904
Properties and equipment revaluation reserve (see note 25.3.2 below)	14 282	-	15 454 177	11 996 022
Fair value gains on financial assets at FVTOCI (see note 25.3.3 below)	-	-	2 850 459	2 408 347
	14 282	-	24 174 887	20 290 273
25.3.1 General reserves				
Balance at beginning of year	-	-	5 885 904	5 610 572
Movement in regulatory reserve in respect of doubtful advances	-	-	(15 653)	(267 827)
Investment fluctuation reserves	-	-	-	543 159
Balance at the end of year	-	-	5 870 251	5 885 904

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

25.3.1 General reserves (continued)

The adjustment for regulatory reserves in respect of doubtful debts in the current year arose from the synchronisation of prudential provisions for loan losses against those applied in the IFRS financial statements. In the circumstances, IFRS expected loan loss provisions where higher than the required level of required regulatory provisions, resulting in the release of general reserves amounting to $15 653 (2017: $267 827).

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 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
25.3.2 Property and equipment revaluation reserve				
Balance at beginning of year	-	-	11 996 022	12 287 546
Surplus on property and equipment revaluation	19 235	-	2 078 759	217 483
Surplus on intangible asset revaluation	-	-	3 009 949	-
Revaluation movement against non-controlling interests	-	-	(150 466)	(46 208)
Deferred tax effect of property revaluation	(4 953)	-	(1 297 398)	(29 217)
Transfer to retained income	-	-	(182 689)	(433 582)
Balance at end of year	14 282	-	15 454 177	11 996 022

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

		COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
25.3.3	**Fair value gains on financial assets held at FVTOCI**				
	Balance at the beginning of year	-	-	2 408 347	4 005 204
	Fair value gains / (losses) on the medium term treasury bills	-	-	595 437	(2 150 649)
	Deferred tax effect of fair valuation on financial assets at FVTOCI	-	-	(153 325)	553 792
	Balance at end of year	-	-	2 850 459	2 408 347

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

25.4 Retained income

	COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
Balance at beginning of year	47 940 996	38 437 793	29 525 484	18 409 286
Changes on initial application of IFRS9	-	-	(2 225 855)	-
Changes on initial application of IFRS16	(64 892)	-	(135 710)	-
Profit attributable to equity holders of parent	22 320 897	11 485 456	19 717 014	13 053 305
- As previously reported	22 320 897	12 846 764	19 717 014	14 414 613
- Prior year adjustments	-	(1 361 308)	-	(1 361 308)
Transfer from general reserves in respect of regulatory reserve for doubtful debts (notes 25.3.1 and 25.5)	-	-	26 559	259 630
Transfer from property revaluation reserve [3] (note 25.3.2)	-	-	182 689	433 582
Transfer from other reserves [4] (notes 25.3.1 and 25.5)	-	-	896 014	(648 066)
Dividends paid	(2 882 669)	(1 982 253)	(2 882 669)	(1 982 253)
Balance at end of year	67 314 332	47 940 996	45 103 526	29 525 484

[3] The transfer from property revaluation is in respect of reduction in property and equipment revaluation upon disposal or retirement of the underlying assets.
[4] The transfer from other reserves is in respect of reduction in minority interests on sale of treasury shares at subsidiary company.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
25.5 Non-controlling interest				
Balance at beginning of year	-	-	21 121 867	20 287 288
Changes on initial application of IFRS9	-	-	(17 323)	-
Changes on initial application of IFRS 16	-	-	(4 544)	-
Profit attributable to non controlling interest	-	-	2 072 448	1 098 160
Increase on revaluation of property	-	-	150 466	46 208
Transfer to other reserves	-	-	(896 014)	104 907
Movement in regulatory reserve in respect of doubtful debts	-	-	(10 906)	8 197
Dividends paid	-	-	(154 063)	(422 893)
Balance at end of year	-	-	22 261 931	21 121 867

25.6 Tax effect relating to each component of other comprehensive income

GROUP	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
2018			
Gain on property and equipment revaluation	2 078 759	(529 993)	1 548 766
Gain on intangible asset revaluation	3 009 949	(767 405)	2 242 544
Fair value gain on financial assets at FVTOCI	595 437	(153 325)	442 112
	5 684 145	(1 450 723)	4 233 422
Restated 2017			
Gain on property and equipment revaluation	217 483	(29 217)	188 266
Fair value loss on financial assets at FVTOCI	(2 150 649)	553 792	(1 596 857)
	(1 933 166)	524 575	(1 408 591)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

25.6 Tax effect relating to each component of other comprehensive income (continued)

COMPANY	Before tax amount US$	Tax (expense) benefit US$	Net of tax amount US$
2018			
Gain on property and equipment revaluation	19 235	(4 953)	14 282
2017			
Gain on property and equipment revaluation	-	-	-

26. SHARE BASED PAYMENTS

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

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

27. NET INTEREST AND RELATED INCOME

	COMPANY 2018 US$	COMPANY Restated 2017 US$	GROUP 2018 US$	GROUP Restated 2017 US$
27.1 Interest and related income				
Interest and related income comprises interest on:				
Advances	-	-	7 027 483	6 987 227
Mortgages	-	-	1 912 765	1 703 189
Overdraft accounts	-	-	749 880	1 561 749
Trading income	-	-	16 029 812	12 955 344
Cash and short-term funds	-	-	135 647	544 963
Loans to other banks	-	-	886 250	484 588
Other	-	-	3 830 216	582 691
Total interest and related income	-	-	30 572 053	24 819 751

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

		COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
27.2	**Interest and related expenses**				
	Interest and related expenses comprise interest on:				
	Retail deposits	-	-	890 552	604 482
	Fixed deposits	-	-	4 486 646	5 724 659
	Other interest payable categories	-	-	1 181 618	683 528
	Total interest and related expenses	-	-	6 558 816	7 012 669
	Net interest and related income	-	-	24 013 237	17 807 082
27.3	**Loan impairments**				
	Loans and advances	-	-	(6 091 086)	(3 180 434)
	Insurance debtors	-	-	394 943	(382 919)
	Loans and other advances	-	-	(5 696 143)	(3 563 353)
	Other financial assets	-	-	(110 295)	-
	Guarantees	-	-	361 246	-
	Loan commitements	-	-	301 233	-
	Net recoveries against loans previously written off	-	-	654 114	(2 062 788)
	Write offs against provision	-	-	(430 520)	2 630 746
		-	-	(4 920 365)	(2 995 395)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

		COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
28.1	**Gross insurance premium income**				
	Reinsurance business				
	Fire	-	-	9 922 011	8 978 023
	Motor	-	-	4 234 403	5 050 387
	Hail	-	-	1 312 460	-
	Miscellaneous Accident	-	-	1 084 294	1 100 036
	Marine	-	-	662 287	448 539
	Engineering	-	-	605 958	123 823
	Liability	-	-	469 552	1 428 284
	Personal Accident	-	-	434 471	1 800 614
	Healthcare	-	-	331 386	134 345
	Other	-	-	99 800	34 581
	Total	-	-	19 156 622	19 098 632
	Life assurance business				
	Premium – single	-	-	365 585	293 457
	Premium – recurrent	-	-	13 265 622	11 405 434
		-	-	13 631 207	11 698 891
	Gross insurance premium income	-	-	32 787 829	30 797 523
28.2	**Total Insurance expenses**				
	Reinsurance business				
	Gross premium retroceded	-	-	6 628 747	8 081 097
	Movement in provision for unexpired risk	-	-	1 347 659	(570 595)
	Movement in provision for outstanding claims	-	-	(150 000)	(102 055)
	Net claims paid	-	-	5 693 807	5 409 069
	Commissions and fees	-	-	3 388 480	3 103 436
		-	-	16 908 693	15 920 952
	Life assurance business				
	Death and disability benefits	-	-	2 248 838	2 195 065
	Maturities	-	-	314 498	162 002
	Annuities	-	-	162 706	168 203
	Surrenders and Group pension withdrawals	-	-	2 496 154	2 190 032
	Reassurance premium cost	-	-	712 897	577 342
		-	-	5 935 093	5 292 644
	Total insurance expenses	-	-	22 843 786	21 213 596
	Net insurance premium income	-	-	9 944 043	9 583 927

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
29. OTHER OPERATING INCOME				
Commission and fees	-	-	39 955 894	37 797 578
Exchange income	-	-	734 757	463 435
Dividends from investment securities	5 175 768	4 189 334	1 944 996	58 163
(Loss) / Profit on disposal of property and equipment	-	-	(102 552)	41 121
Rent received	-	-	1 194 232	962 616
Cost recovery for shared services	8 261 424	7 497 971	-	-
Management fees	803 753	553 849	-	-
Other	-	-	1 510 979	2 503 582
	14 240 945	12 241 154	45 238 306	41 826 495
30. FAIR VALUE ADJUSTMENTS				
On financial instruments (note 9.3)	507 992	742 920	5 922 348	3 012 001
On investment properties (note 12.2)	107 000	29 000	3 329 694	(282 372)
On investment in subsidiaries (note 10.2)	17 268 987	7 222 138	-	-
	17 883 979	7 994 058	9 252 042	2 729 629

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
31. OPERATING EXPENSES				
Commission and fees	-	-	1 958 700	1 692 986
Staff expenses	4 839 488	3 914 152	24 964 120	21 862 204
Communication expenses	100 008	116 510	1 146 059	884 926
National Social Security Authority expenses	80 542	77 047	462 805	376 164
Pension fund expenses	235 196	225 249	1 261 033	1 249 095
Computers and information technology expenses	195 349	232 597	2 742 340	2 198 757
Occupation expenses	652 888	639 874	2 788 827	4 226 235
Transport expenses	277 035	274 845	1 011 669	999 873
Travelling expenses	318 182	204 390	764 282	611 688
Depreciation of property and equipment	98 666	123 183	3 247 629	2 474 271
Amortisation of intangible assets	19 588	21 434	1 942 806	2 452 329
Depreciation of right of use asset	509 353	-	1 381 408	-
Finance cost on operating lease liabilities	259 473	-	596 508	-
Impairment of property and equipment	80 065	-	144 925	-
Impairment of intangible assets	4 742	-	4 742	-
Administration expenses	2 575 041	1 946 194	12 056 386	11 840 218
Amortisation of valuation discount on the long term borrowings	(697 144)	(406 104)	(697 144)	(406 104)
Directors fees	58 572	58 142	419 224	474 989
	9 607 044	7 427 513	56 196 319	50 937 631
Included in administration expenses are the following:				
Auditors' remuneration	49 662	59 243	525 867	439 304
- for current year audit	39 011	19 214	139 218	131 123
- for half year review	3 711	3 711	49 764	53 475
- for prior year final	6 940	36 318	336 885	254 706

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

	COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
32. INCOME TAX EXPENSE				
Current income tax	-	-	1 482 917	2 070 455
Deferred tax expense	408 570	1 153 092	670 462	1 266 910
	408 570	1 153 092	2 153 379	3 337 365

Zimbabwean corporation tax is calculated at an effective rate of 25.75 per cent (2017: 25.75 per cent) of the estimated taxable profit for the year.

	COMPANY 2018 US$	Restated COMPANY 2017 US$	GROUP 2018 US$	Restated GROUP 2017 US$
Reconciliation of current income tax				
Profit before taxation	22 729 467	12 638 548	23 942 841	17 488 830
Expected tax on profits at basic rates	5 852 838	3 254 426	6 165 282	4 503 374
Increase / (reduction) arising from:				
-Exempt income	(1 332 760)	(1 078 754)	(7 195 966)	(6 810 918)
-Expenditure not allowed	216 642	180 229	(1 145 489)	(580 189)
-General provisions and deferred income	-	-	1 395 331	1 018 254
-Capital allowances in excess of depreciation	30 450	37 239	6 706 779	6 067 012
-Prepaid expenses	-	-	(470 676)	(280 322)
-Assessed losses utilised	96 208	301 548	-	343 922
- Fair value adjustments	(4 454 808)	(1 541 596)	(3 301 882)	(923 768)
	408 570	1 153 092	2 153 379	3 337 365

33. EARNINGS PER SHARE

GROUP

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted earnings per share for the year ended 31 December 2018 of US12.52 cents (2017: US8.29 cents) is based on the attributable profit after tax of US$19 717 014 (2017: US$13 053 305) and weighted average number of shares of 157 522 902 (2017: 157 522 902).

COMPANY

Basic and fully diluted earnings per share (US cents)

The calculation of basic and fully diluted earnings per share for the year ended 31 December 2018 of US14.18 cents (2017: US7.29 cents) is based on the attributable profit after tax of US$22 320 897 (2017: US$11 485 456) and weighted average number of shares of 157 522 902 (2017: 157 522 902).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

34. CASH FLOWS FROM OPERATING ACTIVITIES

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Cash flows from operating activities				
Profit before taxation	22 729 467	12 638 548	23 942 841	17 488 830
Non cash items:				
-Fair value adjustments on investment in subsidiaries (note 10.2)	(17 268 987)	(7 222 138)	-	-
-Fair value adjustments on equity investments (note 9.3)	(507 992)	(742 920)	(5 922 348)	(3 012 001)
-Fair value adjustments on investment properties (note 12.1)	(107 000)	(29 000)	(3 329 694)	282 372
-Net exchange gains on bank balances and unlisted equities (note 9.3)	-	-	(1 142)	(1 710)
-Depreciation of property and equipment (note 14)	98 666	123 183	3 247 629	2 474 271
-Depreciation of right of use asset (note 13)	509 353	-	1 381 408	-
-Interest received (note 27.1)	-	-	(30 572 053)	(24 819 751)
-Interest paid (note 27.2)	-	-	6 558 816	7 012 669
-Interest expense on lease liability (note 21)	259 473	-	596 508	-
-Lease payments (note 21)	748 380	-	1 961 777	-
-Dividend received (note 29)	(5 175 768)	(4 189 334)	(1 944 996)	(58 163)
-Amortisation of intangible assets (note 15)	19 588	21 434	1 942 806	2 452 329
-Impairment of property and equipment (note 14)	80 065	-	144 925	-
-Impairment of intangible assets (note 15)	4 742	-	4 742	-
-Loss / (gain) on disposal of equipment (note 29)	-	-	102 552	(41 121)
-Gain on disposal of investments (note 9.3)	-	-	(614 852)	(141 572)
-Impairment of investments (note 9.3)	-	-	116 725	-
-Dividend received from associated companies (note 10.1)	-	-	(1 587 534)	(2 379 232)
-Share of associate companies (profits) / losses (note 10.1)	(211 587)	169 151	(2 240 285)	(3 036 154)
Operating cash flows before changes in working capital funds	1 178 400	768 924	(6 212 175)	(3 779 233)

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

34. CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Changes in working funds:				
Reduction in short term borrowings	(829 182)	(838 025)	-	-
Increase in money markets investments	-	-	(45 578 047)	(35 330 971)
(Increase) / decrease in other assets	(501 776)	53 758	1 245 101	1 735 281
Increase in advances and other accounts	-	-	(20 626 717)	(5 776 680)
Increase in deposits and other accounts	-	-	86 597 784	72 239 709
Increase / (decrease) to amounts clearing to other banks	-	-	1 028 634	(3 135 361)
(Decrease) / increase in other liabilities	(1 149 505)	(812 156)	10 318 051	2 795 454
Increase in life assurance funds	-	-	5 628 388	3 561 431
Effects of exchange gains	-	-	734 757	463 435
Fair value gains / (losses) on financial assets at FVTOCI	-	-	595 437	(2 150 649)
Increase in offshore borrowings	-	-	5 947 347	-
Net cash (used in) / generated from operating activities	(1 302 063)	(827 499)	39 678 560	30 622 416

35. 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.

35.1 Intercompany balances

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

		COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
35.1.1	Balances owing to subsidiary companies	15 800 310	18 313 649	-	-
35.1.2	Balances due from subsidiary companies	11 362 407	10 605 956	-	-
35.1.3	Income received from Subsidiary companies	9 347 664	8 121 671	-	-

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

35.1.4 Deposits from related parties

	COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
Balances with National Social Security Authority (NSSA)	-	-	482 805	180 000
Balances with ZBFH Pension Fund	-	-	4 399 076	4 178 171
	-	-	4 881 881	4 358 171

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.

35.1.5 Lending to other related parties

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

	COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
Loans to employees	-	-	7 559 716	7 377 110

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

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

35.2 Remuneration of directors and key management personnel

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

	COMPANY 31 Dec 2018 US$	Restated COMPANY 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
Directors' remuneration				
- fees by the Holding Company	58 572	58 142	58 572	58 142
- fees by subsidiaries	-	-	360 652	416 847
Short term employee benefits to key management	1 183 553	1 038 685	4 196 084	2 986 220
	1 242 125	1 097 257	4 615 308	3 461 209

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

35.2 Remuneration of directors and key management personnel (continued)

Key management includes members of the Group's Executive Management, subsidiary companies management and holders of strategic position in the general management grade. Total number of staff included in those grades equaled 24 (2017: 24).

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

36. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
36.1 Contingent liabilities				
In respect of treasury bills held in trust on behalf of customers (see note 7.4)	-	-	38 595	1 573 464
In respect of guarantees (see note 8.1)	-	-	16 038 026	13 565 238
	-	-	16 076 621	15 138 702
36.2 Capital commitments				
In respect of expenditure authorised and contracted	-	-	-	582 530
In respect of expenditure authorised but not contracted	-	-	37 003 331	15 149 093
	-	-	37 003 331	15 731 623

Capital commitments will be funded from operating cash flows.

36.3 Legal contingencies

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

In May 2016, the Government of Zimbabwe, then a significant shareholder in the Company, brokered a resolution framework in which it ceded part of their shareholding on the understanding that the Company would allocate another parcel of shares to THL. The latter proposal was rejected by the Shareholders resulting in the need for an alternative resolution framework to be developed.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

36.3 Legal contingencies (continued)

A resolution framework including the possible unbundling of the contentious assets remains a possibility. Should that be the preferred route this could lead to considerations to account for the contentious assets in terms of International Financial Reporting Standard ("IFRS") 5 – Non-current Assets Held for Sale and Discontinued Operations. Through a series of technical consultations, management are satisfied that as at year end, any proposed means of resolving the matter had not triggered the requirements of IFRS 5 hence the financial results of IHL and its subsidiaries were fully consolidated in the Group's financial results up to and at 31 December 2018.

37. 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:

37.1 ZB Financial Holdings Limited Pension Fund:

All members of the Group, except for those under the ZB Life Pension Fund, belong to a Defined Contribution scheme which is administered separately and whose assets are under the control of a board of trustees. The Company makes full contributions of 12.9% of pensionable earnings for managerial employees and 7.7% for non managerial employees. The pension fund had a membership of 650 as at 31 December 2018 (2017: 650 members).

37.2 ZB Life Pension Fund:

All eligible employees are members of ZB Life Assurance Limited defined contribution pension scheme administered by the Company. The Company makes full contributions of 18% of pensionable earnings for managerial employees and 12% for non managerial employees who then contribute 6% to make a total contribution of 18%. The pension fund had a membership of 61 as at 31 December 2018 (2017: 61 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.

37.3 National Social Security Authority

This Defined Contribution scheme was promulgated under the National Social Security Authority Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% of pensionable emoluments (2017: 3.5%) per month per employee.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

37.4 Contributions by the Group to pension arrangements:

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

		Restated		Restated
		COMPANY		GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Payments to the ZB Financial Holdings Limited Pension Fund	235 196	225 249	1 261 033	1 249 095
Payments to the ZB Life Pension Fund	-	-	183 144	181 089
Payments to the National Social Security Authority	80 542	77 047	462 805	376 164
Total expense	315 738	302 296	1 906 982	1 806 348

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

38.1 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 25 (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. Gearing was maintained at above 18%, throughout the year, The Group borrowed funds with a maturity value of US$20 million in 2025.

The gearing level, and the loan instrument used (see note 22) are considered comfortable for the Group's operations and are not expected to cause a strain in cash resources in the foreseeable future.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.1 Capital risk management (continued)

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

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

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

38.2 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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.1 Classification and measurement of financial assets and liabilities

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 2018		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at FVPL US$	Designated at AMCO US$	Designated at FVTOCI US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value									
Listed equity securities	9.1	23 314 962	-	-	23 314 962	23 314 962	-	-	23 314 962
Government public utility stock		21 361 580	-	-	21 361 580	-	-	21 361 580	21 361 580
Unit trusts		543 145	-	-	543 145	-	543 145	-	543 145
Unlisted equity investments		7 839 210	-	-	7 839 210	-	-	7 839 210	7 839 210
Treasury bills		22 747 733	-	134 768 528	157 516 261	-	22 747 733	134 768 528	157 516 261
Financial assets not measured at fair value									
Trade and other receivables	11	-	2 510 497	-	2 510 497				
Cash and cash equivalents	5	-	143 869 250	-	143 869 250				
Treasury bills		-	36 831 090	-	36 831 090				
Total		75 806 630	184 210 837	134 768 528	394 785 995				
Financial liabilities									
Deposit and other accounts	17	-	(433 006 499)	-	(433 006 499)				
Trade and other payables	18	-	(13 904 205)	-	(13 904 205)				
Total		-	(446 910 704)	-	(446 910 704)				

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.1 Classification and measurement of financial assets and liabilities (continued)

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

31 December 2017		CARRYING AMOUNT				FAIR VALUE			
	Note	Designated at FVPL US$	Designated at AMCO US$	Designated at FVTOCI US$	Total US$	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets measured at fair value									
Listed equity securities	9.1	14 638 578	-	-	14 638 578	14 638 578	-	-	14 638 578
Government public utility stock		12 383 151	-	-	12 383 151	-	-	12 383 151	12 383 151
Unit trusts		576 360	-	-	576 360	-	576 360	-	576 360
Unlisted equity investments		4 752 206	-	-	4 752 206	-	-	4 752 206	4 752 206
Treasury bills		11 428 237	-	105 694 045	117 122 282	-	11 428 237	105 694 045	117 122 282
Financial assets not measured at fair value									
Trade and other receivables	11	-	1 862 474	-	1 862 474				
Cash and cash equivalents	5	-	106 816 218	-	106 816 218				
Treasury bills		-	38 822 908	-	38 822 908				
Total		43 778 532	147 501 600	105 694 045	296 974 177				
Financial liabilities									
Deposits and other accounts	17	-	(347 105 859)	-	(347 105 859)				
Trade and other payables	18	-	(12 314 531)	-	(12 314 531)				
Total		-	(359 420 390)	-	(359 420 390)				

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.2 Valuation techniques for securities held at fair value

38.2.2.1 Level 1 valuation

Listed equity investments are valued in relation to prices ruling at the stock market at which the stock is listed at the close of business on 31 December 2018.

38.2.2.2 Level 2 valuation

These investments are valued using inputs other than quoted prices which are observable for the asset. The unit trust investments are valued in relation to gold prices on the international market. Treasury bills are valued by discounting cash flows using the market rate for similar instruments as the discounting rate.

38.2.2.3 Level 3 valuation

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3 Definition of financial risk

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

38.2.3.1 Liquidity risk

Definition

There are two types of liquidity risk, funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

Through the robust Liquidity Risk Management Framework, the Group manages the funding and market liquidity risk to ensure that the Group's operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Liquidity Risk Management Framework include maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory requirements.

Liquidity risk governance and policy

The board of directors retains ultimate responsibility for the effective management of liquidity risk. Through the Board Risk Committee (a board subcommittee), the board has delegated its responsibility for the management of liquidity risk to ALCO and the ZB Group Executive Committee.

The Group's Liquidity Risk Management Framework articulates the board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The Liquidity Risk Management Framework is reviewed annually by ALCO and approved by the Board Risk Committee.

The Group's daily liquidity requirements are managed by an experienced centralised Treasury department. Within the context of the board-approved Liquidity Risk Management Framework, Group Treasury department is responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

In terms of the overall liquidity risk management process independent oversight and assurance are provided by Group Business Risk Management and Group Internal Audit, which conduct independent reviews.

Identification techniques

This risk is identified through the analyses of contractual maturity mismatch between assets and liabilities and stress testing.

Measurement methods

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

The Group uses liquidity management tools such as the liquidity ratio, maturity gap analysis (contractual and behavioural), daily cash flow summary & forecasting and stress testing to measure liquidity risk.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.1 Liquidity risk (continued)

Impact evaluation

The level of aggregate inherent liquidity risk is considered moderate and the aggregate liquidity risk management systems in place are acceptable, hence the overall composite liquidity risk is moderate. The direction of the risk is stable.

The Group's Liquidity Risk Management Framework takes into account all sources and uses of liquidity and seeks to optimise the balance sheet by balancing the trade off between liquidity risk on the one hand and cost or profitability on the other.

The Group's liquidity position was strengthened in 2018 with the prudential liquidity ratio increasing from 76% as at 31 December 2017 to 81% at 31 December 2018 (the 2018 average of 81% also strengthened when compared with 70% in 2017).

The Group is compliant with the minimum regulatory prudential liquidity ratio of 30% and the internal benchmark of 35%. The Group has taken a deliberate strategy to hold high levels of liquidity in view of limited lender of last resort capacity in the market and the transitory nature of deposits.

Stress testing results indicate that the Group is not susceptible to significant liquidity shocks since it can withstand a 10% fall in deposits.The Group maintained levels of liquid resources at acceptable levels throughout the year.

Strategies for management/mitigation

The Group Treasury is responsible for ensuring that the Group always has sufficient intraday liquidity to meet any obligations it may have in the clearing and settlement systems. In addition, net daily funding requirements are forecasted by estimating daily rollovers and withdrawals and managing the funding pipeline of new deals. The Treasury function is responsible for maintaining close interaction with the Group's larger depositors in order to manage their cash-flow requirements and the consequential impact on the Group's intraday liquidity position.

A portfolio of marketable and high quality liquid assets, which could be liquidated to meet unforeseen or unexpected funding requirements, is maintained.

The Group conducts regular scenario analysis and stress testing in order to assess the adequacy of the Group's liquidity buffers and contingency funding plan required to meet idiosyncratic and market-wide stress liquidity events. The objective of scenario analysis and stress testing is to identify potential weaknesses or vulnerabilities, thus enabling the Group to formulate strategies designed to mitigate potential weaknesses.

The Group has a Contingency Funding Plan (CFP) in place which is designed to protect depositors, creditors and shareholders under adverse liquidity situations. The CFP has been formulated in the belief that early detection, advance preparations and prompt responses can contribute to liquidity crisis avoidance or minimisation, and that accurate, timely and coordinated communication both internally and externally is essential for managing a crisis situation.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.1 Liquidity risk (continued)

Monitoring and controlling mechanisms

The Group utilises metrics that capture specific information related to the Group's cash flows, balance sheet structure, available unencumbered collateral, and certain market indicators to monitor liquidity risk.

In utilising these metrics, the Group takes action when potential liquidity difficulties are signalled through a negative trend in the metrics, or when a deteriorating liquidity position is identified, or when the absolute result of the metric identifies a current or potential liquidity problem.

The metrics include; contractual maturity mismatch, concentration of funding, available unencumbered assets, liquidity ratios by significant currency, market-wide information, information on the financial sector and Group-specific information.

Adequacy of risk management systems

The aggregate liquidity risk management systems in place are acceptable and the direction of the risk is stable.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
as at 31 December 2018

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	61 438 478	37 245 889	45 788 114	-	144 472 481	143 869 250
Money market investments	10 469 886	50 000	-	200 000	10 719 886	10 714 886
Treasury bills	2 000 548	46 175 952	42 838 852	125 933 050	216 948 402	194 347 351
Mortgages and other advances	24 200 222	11 155 574	8 711 065	85 847 389	129 914 250	121 907 358
Investment securities	-	-	-	56 513 232	56 513 232	56 513 232
	98 109 134	94 627 415	97 338 031	268 493 671	558 568 251	527 352 077
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(357 801 492)	(64 162 992)	(3 932 777)	(7 959 107)	(433 856 368)	(433 006 499)
Trade and other payables	(16 364 121)	(7 908 837)	(1 540 106)	(15 667 836)	(41 480 900)	(41 480 900)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(14 640 035)
Offshore borrowings	-	-	-	(7 467 305)	(7 467 305)	(5 947 347)
	(374 165 613)	(72 071 829)	(5 472 883)	(51 094 248)	(502 804 573)	(495 074 781)
Period gap	(276 056 479)	22 555 586	91 865 148	217 399 423	55 763 678	32 277 296
Cumulative gap	(276 056 479)	(253 500 893)	(161 635 745)	55 763 678	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.1 Liquidity risk (continued)

LIQUIDITY GAP ANALYSIS
as at 31 December 2017

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

	Up to 1 month US$	2 to 6 months US$	7 to 12 months US$	Above 12 months US$	Gross nominal inflow/(outflow) US$	Carrying amount US$
FINANCIAL ASSETS BY TYPE:						
Cash and cash equivalents	100 798 225	9 500 000	-	-	110 298 225	106 816 218
Money market investments	1 190 356	2 638 554	-	-	3 828 910	3 538 998
Treasury bills	-	21 856 412	36 459 598	122 830 411	181 146 421	155 945 191
Mortgages and other advances	29 507 166	15 728 361	17 213 473	56 453 819	118 902 819	104 970 338
Investment securities	-	-	-	36 713 113	36 713 113	36 713 113
	131 495 747	49 723 327	53 673 071	215 997 343	450 889 488	407 983 858
FINANCIAL LIABILITIES BY TYPE:						
Deposits and other accounts	(285 496 799)	(71 203 517)	(9 539 001)	(9 597 265)	(375 836 582)	(347 105 859)
Trade and other payables	(24 307 482)	(5 254 630)	(234 035)	(15 222 659)	(45 018 806)	(30 134 215)
Long term loan	-	-	-	(20 000 000)	(20 000 000)	(13 942 891)
	(309 804 281)	(76 458 147)	(9 773 036)	(44 819 924)	(440 855 388)	(391 182 965)
Period gap	(178 308 534)	(26 734 820)	43 900 035	171 177 419	10 034 100	16 800 893
Cumulative gap	(178 308 534)	(205 043 354)	(161 143 319)	10 034 100	-	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.1 Liquidity risk (continued)

	COMPANY 31 Dec 2018 US$	COMPANY Restated 31 Dec 2017 US$	GROUP 31 Dec 2018 US$	GROUP Restated 31 Dec 2017 US$
Liquidity ratios				
Total liquid assets	-	-	348 931 486	266 300 407
Total liabilities to the public	-	-	433 006 499	347 105 859
Liquidity ratio	-	-	80.58%	76.72%
Average for the year	-	-	81%	70%
Maximum for the year	-	-	83%	72%
Minimum for the year	-	-	79%	64%
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 2018	31 Dec 2017
ZB Bank Limited	83%	73%
ZB Building Society	89%	93%

38.2.3.2 Market risk

Market risk is the risk of losses in on- and off-balance sheet positions arising from movements in market prices. The Bank is exposed to market risk through holding interest rate, foreign exchange rate and stock price sensitive positions.

38.2.3.3 Interest rate risk

Definition

The changes in interest rates affect the Group's earnings by altering interest sensitive income and expenses. Interest rate changes also affect the underlying value of the Group's assets, liabilities, and off-balance sheet instruments through changes in the present value of future cash flows (and, in some cases, the cash flows themselves).

Interest rate risk in the banking book (IRRBB)

IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of the Bank's assets, liabilities and off-balance-sheet positions.
- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – changes in the shape and slope of the yield curve.
- Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.3 Interest rate risk (continued)

IRRBB governance and policy

The board of directors retains ultimate responsibility for the effective management of IRRBB. Through the Board Risk Committee (a board subcommittee), the board has delegated its responsibility for the management of IRRBB to ALCO and the ZB Group Executive Committee. The ALCO proactively manages IRRBB through Treasury department.

The board assumes ultimate responsibility for IRRBB and has defined the Bank's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for both earnings and economic value, within which this risk must be managed. Compliance with these limits is measured and reported to the ALCO and the board on a monthly basis and quarterly basis respectively.

Identification techniques

Interest rate risk is identified using the term structure of assets and liabilities. To evaluate the impact of interest rate risk on the net interest margin, the Group monitors the size of the gap between rate sensitive assets and rate sensitive liabilities (both on and off balance sheet positions) in terms of the remaining period to repricing.

Measurement methods

The Group employs various analytical techniques to measure interest rate sensitivity within the banking book on both an earnings and economic value basis. This includes a repricing profile analysis, and stress testing of earnings-at-risk for multiple stressed-interest-rate scenarios. The size of the interest rate movement used in the analysis is based on a variety of factors, which include historical experience, simulation of potential future interest rate movements, and the judgment of Group management.

Impact evaluation

As at 31 December 2018, the Group considered the risk to be moderate. Adequate systems are in place to ameliorate the risk.

The level of aggregate inherent interest rate risk is considered moderate and the aggregate interest rate risk management systems in place are acceptable, hence the overall composite interest rate risk is moderate. The direction of the risk is stable.

As at 31 December 2018, the Group had a liability sensitive book, which exposes the Group to losses if interest rates increase. The Group is exposed to a decrease in Net Interest Income (NII) of approximately $7.0 million before tax should interest rates increase by 3%, measured over a 12-month period. NII sensitivity, as currently modelled, exhibits very little convexity and results in an increase in pretax NII of approximately the same quantum should rates fall by 3%.

Stress testing results indicate that the Group is resilient to a minor interest rate shock of 3%, as the capital adequacy level will decrease from 26.25% to 25.75%, which is above the minimum prudential threshold of 12%.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.3 Interest rate risk (continued)

IRRBB strategies are evaluated regularly to align with interest rate views and defined risk appetite. This ensures that optimal on- and off-balance-sheet strategies are applied, either positioning the balance sheet or protecting interest income through different interest rate cycles.

Strategies for management / mitigation

As at 31 December 2018, the Group considered the risk to be moderate. Adequate systems are in place to ameliorate the risk.

The level of aggregate inherent interest rate risk is considered moderate and the aggregate interest rate risk management systems in place are acceptable, hence the overall composite interest rate risk is moderate. The direction of the risk is stable.

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.

The Group monitors interest rate risk through the Treasury Middle Office using re-pricing gap analysis, net interest margin and stress testing. These tools are considered adequate for the level and complexity of the Bank's interest rate risk exposure.

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 (continued)

For the year ended 31 December 2018

38.2.3.3 Interest rate risk (continued)

2018	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 2018					
FINANCIAL ASSETS BY TYPE:					
Cash and cash equivalents	143 869 250	-	-	-	143 869 250
Money market investments	10 664 886	50 000	-	-	10 714 886
Mortgages and other advances	24 195 602	10 895 617	8 365 827	78 450 312	121 907 358
Treasury bills	2 000 000	45 842 504	40 952 009	105 552 838	194 347 351
	180 729 738	56 788 121	49 317 836	184 003 150	470 838 845
FINANCIAL LIABILITIES BY TYPE					
Deposits and other accounts	(363 547 230)	(63 714 517)	(3 903 505)	(1 841 247)	(433 006 499)
	(363 547 230)	(63 714 517)	(3 903 505)	(1 841 247)	(433 006 499)
Period gap	(182 817 492)	(6 926 396)	45 414 331	182 161 903	37 832 346
Cumulative gap	(182 817 492)	(189 743 888)	(144 329 557)	37 832 346	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.3 Interest rate risk (continued)

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.3 Interest rate risk (continued)

Sensitivity analysis

A 2% change in the rate for rate sensitive assets would result in the reported profits increasing or decreasing by US$7.0 million (2017: US$5.3 million).

A 2% change in the rate for rate sensitive liabilities would result in the reported profits increasing or decreasing by US$6.4 million (2017: US$6.9 million).

38.2.3.4 Foreign exchange risk

Definition

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. This involves settlement risk which arises when the Group incurs financial loss due to foreign exchange positions taken in both the trading and banking books.

The Group recognises various types of foreign exchange risk which include;

i. exchange rate risk which is the risk of loss as a result of adverse movements in the exchange rate;
ii. interest rate risk which arises from maturity mismatches on foreign currency positions;
iii. credit risk which is due to counterparty default on foreign exchange loans or contracts; and
iv. sovereign risk which arises from country risk or political risk

Identification techniques

Foreign exchange risk arises as a result of holding foreign currency positions in the banking book (e.g. in the form of loans, deposits or cross-border investments) and trading in foreign currencies through spot and forward transactions as a market maker or position taker.

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

Measurement methods

For measuring and monitoring foreign exchange rate risk, the Group has established a comprehensive framework of limits.

At a minimum, the Group has the following limits for its foreign exchange operations:

i. open position limits for individual currencies to which the Bank has material exposures, both during the day and overnight.
ii. open position limits on the aggregate of all currencies, both during the day and overnight;
iii. stop loss and/or management-action-trigger limits; and limits for settlement risk of all counterparties.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.4 Foreign exchange risk (continued)

Impact evaluation

The level of inherent foreign exchange rate risk is considered low and the aggregate foreign exchange rate risk management systems in place are acceptable, hence the overall composite foreign exchange rate risk is low. The direction of the risk is stable.

The Group had significant exposures to; the ZAR, GBP, BWP & the EUR and the positions/holdings are within the ALCO prescribed limits as at 31 December 2018.

As at 31 December 2018, the Group had an aggregate net open position of $0.3million which is very low at 0.003% of the Group's capital, and is in compliance with the internal maximum of 10%.

Any foreign exchange rate movement will therefore have a small effect on the Group's capital adequacy level.

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.

The Group's management principal goal is to ensure that foreign exchange losses that could arise from the open positions will not substantially diminish total earnings and that the capital cushion of the Group will not be undermined.

The Group manages foreign exchange rate risk by switching its currencies in line with ALCO driven strategies on foreign exchange rates.

The foreign exchange limits are reviewed at least annually or more frequently in line with changes in the operating environment.

Monitoring and controlling mechanisms

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

Treasury Middle Office performs the risk review function in relation to day-to-day activities. The function reconciles regularly positions of traders to ensure that they are within assigned limits. Internal reports comparing actual positions against internal limits are routinely prepared for ALCO.

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 (continued)

For the year ended 31 December 2018

38.2.3.5 Foreign currency position

The carrying amount of the Group's non United States dollar monetary assets and liabilities as at 31 December 2018 were as follows:

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 US$
Botswana pula	-	-	86 089	167 057
British pound	-	-	147 486	375 480
Malawian kwacha	-	-	474	474
Euro	-	-	691 478	638 200
South African rand	-	-	1 022 387	1 794 984
Zambian kwacha	-	-	303	359
Total assets	-	-	1 948 217	2 976 554
Botswana pula	-	-	(226 555)	(280 465)
British pound	-	-	(32 265)	(46 264)
Euro	-	-	(47 476)	(20 767)
South African rand	-	-	(1 304 418)	(2 897 397)
Total liabilities	-	-	(1 610 714)	(3 244 893)
	-	-	337 503	(268 339)

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$25 060 (2017: US$19 924) and equity being reduced or increased by US$33 750 (2017: US$26 837).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.3.6 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.

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 2018 would result in an increase / decrease of US$2 317 672 (2017: US$1 526 874) to the reported Group's profit and an increase / decrease of US$2 310 178 (2017: US$1 542 297) in equity.

38.2.4 Credit risk

Definition

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets as well as settlement balances with market counterparties.

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

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.

Loans with renegotiated terms and the Group's forbearance policy

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 committees regularly reviews reports on forbearance activities on a quarterly basis.

Credit–related commitments

The Group makes available to its customers guarantees that may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

Write off policy

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

Impairment assessment

- The Group's impairment assessment and measurement approach is defined as follows:
- The Group's definition and assessment of default and cure
- An explanation of the Group's internal grading system
- How the Group defines, calculates and monitors the probability of default, exposure at default and loss given default
- When the Group considers there has been a significant increase in credit risk of an exposure
- The Group's policy of segmenting financial assets where ECL is assessed on a collective basis
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit -impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near–default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates that there has been a significant increase in credit risk compared to initial recognition.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

The Group's internal rating and PD estimation process

The Group's independent Credit Risk Department operates its internal rating models. The Group runs separate models for its key portfolios in which its customers are rated using an internal 22 tier rating scale. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from rating agencies. These information sources are first used to determine the PDs within the Group's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, such as the rating of rating agencies, and assigns the internal rating.

For these relationships, the Group assesses individual credit requirements guided by a risk assessment framework that focuses on counterparty risk profile as guided by an internal rating system overseen by the Group's Treasury Middle Office function.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

A discretionary and Committee approving structure is in place to manage the various credit requirements

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income / salary levels based on records of current accounts, personal indebtedness and expected interest repricing.
- A discretionary approval structure facilitates approvals.

Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the life time of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding with the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

Loss given default (LGD)

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Group's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types) as well as borrower characteristics.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Group estimates regulatory and IFRS 9 LGDs using different methods. Under IFRS9, LGD rates are estimated for the Stage1, Stage2, Stage3 and POCI, IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Group continuously monitors all assets with credit profiles to track changes in default risk using delinquency profiles.. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following factors exist for retail, wholesale and treasury portfolios:

- The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 3 months
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default

Early signs of cash flow / liquidity problems such as delay in servicing of trade creditors/loans.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

Grouping financial assets measured on a collective basis

Dependant on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Corporate lending portfolio
- The large and unique exposures of the Small business lending portfolio
- The treasury,trading and interbank relationships (such as Due from banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost / FVTOCI
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Asset classes where the Group may calculate ECL on a collective basis include:

- The smaller and more generic balances of the Group's Small business lending
- Stage 1 and 2 Retail mortgages and Consumer lending
- Purchased POCI exposures managed on a collective basis.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

For retail mortgages these are:

- Product type (buy to let/owner occupied)
- Property type (low density, medium density, high density, commercial)
- Geographic location
- Loan-to-value ratios
- Internal grade
- Exposure value

For consumer lending these are:

- Product type (overdraft, unsecured personal loan, credit card, etc.)
- Internal grade
- Geographic location/residence of the borrower
- Utilisation
- In the case of credit cards, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending these are:

- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

Identification techniques

Prior to granting facilities, the Group conducts an assessment through a credit assessment framework that incorporates use of rating and scoring systems which classifies an account depending on inherent risk profiles. Non qualifying applications are avoided. Thereafter facilities extended to clients are reviewed on a regular basis and reclassified accordingly depending on actual performance. The Bank also has a cocktail of tools used to identify risks on an ongoing basis.

Measurement methods

The risk is measured through assessing the risk of default using a credit risk-rating matrix.The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

The table below shows the credit quality and the maximum exposure for credit risk based on the Bank's internal credit rating system and period-end stage classification.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

	31 December 2018				Restated 31 Dec 2017
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Per IAS 39 US$
Total loans and advances	125 151 706	4 012 164	7 032 884	136 196 754	114 774 683
Guarantees	16 038 026	-	-	16 038 026	13 565 238
Loan commitments	22 956 859	-	-	22 956 859	2 841 087
Treasury bills	194 347 351	-	-	194 347 351	155 945 191
Insurance debtors	5 336 107	-	1 260 716	6 596 823	4 623 633
Other financial assets	18 724 473	-	-	18 724 473	8 998 457
Total financial assets	382 554 522	4 012 164	8 293 600	394 860 286	300 748 289
Total loans and advances					
Performing					
Good (AAA to- BBB-)	125 052 782	116 144	156 530	125 325 456	43 448 411
Special Mention (BB+ to CCC-)	98 924	3 896 020	7 466	4 002 410	57 632 701
Non - performing	-	-	-	-	-
Non performing (CC TO D)					
individually impaired	-	-	6 868 888	6 868 888	13 693 570
Total loans and advances	125 151 706	4 012 164	7 032 884	136 196 754	114 774 682
Corporate Lending					
Good (AAA to- BBB-)	60 404 518	-	-	60 404 518	22 464 482
Special Mention (BB+ to CCC-)	-	1 764 016	-	1 764 016	34 464 324
Non performing (CC TO D)	-	-	5 286 443	5 286 443	8 444 715
Total corporate lending	60 404 518	1 764 016	5 286 443	67 454 977	65 373 521

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

	31 December 2018				Restated 31 Dec 2017
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Per IAS 39 US$
Small business lending					
Good (AAA to- BBB-)	1 017 548	1 761	-	1 019 309	713 929
Special Mention (BB+ to CCC-)	-	120 062	-	120 062	446 915
Non performing (CC TO D)-	-	-	91 115	91 115	803 123
Total small business lending	1 017 548	121 823	91 115	1 230 486	1 963 967
Consumer Lending					
Good (AAA to- BBB-)	43 504 623	87 986	21 071	43 613 680	14 546 342
Special Mention (BB+ to CCC-)	-	1 708 459	4 118	1 712 577	11 965 319
Non performing (CC TO D) -	-	-	902 196	902 196	4 026 999
Total consumer lending	43 504 623	1 796 445	927 385	46 228 453	30 538 660
Mortgage Lending					
Good (AAA to- BBB-)	19 926 742	26 451	135 406	20 088 599	5 382 805
Special Mention (BB+ to CCC-)	298 274	303 480	3 348	605 102	11 196 997
Non performing (CC TO D)	-	-	589 137	589 137	318 733
Total mortgage lending	20 225 016	329 931	727 891	21 282 838	16 898 535

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

	31 December 2018				Restated 31 Dec 2017
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Per IAS 39 US$
Guarantees					
Good (AAA to- BBB-)	16 038 026	-	-	16 038 026	13 565 238
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Total guarantees	16 038 026	-	-	16 038 026	13 565 238
Loan commitments					
Good (AAA to- BBB-)	22 956 859	-	-	22 956 859	2 841 087
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Total loan commitments	22 956 859	-	-	22 956 859	2 841 087
Other financial assets					
Debentures					
Non perfoming (CC to D)	-	-	834 446	834 446	925 775
Bonds					
Good (AAA to BBB-)	17 890 027	-	-	17 890 027	8 072 682
Total other financial assets	17 890 027	-	834 446	18 724 473	8 998 457

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

An analysis of changes in the ECLs in relation to loans and advances are as follows:

	31 December 2018				Restated 31 Dec 2017
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Per IAS 39 US$
Total loans and advances	12 162 504	470 209	395 967	13 028 680	5 961 145
Insurance debtors	-	-	1 260 716	1 260 716	1 655 659
Total impairment allowances	12 162 504	470 209	1 656 683	14 289 396	7 616 804

Treasury bills were assessed for impairment at 31 December 2018 and, having been considered to carry low credit risk, no IFRS 9 impairment charge was raised. There was no objective evidence to suggest that future cash flows on the treasury bills could end up being less than those anticipated at the point of initial recognition.

Total loans and advances					
Good (AAA to- BBB-)	12 107 126	10 704	53 490	12 171 320	2 450 725
Special Mention (BB+ to CCC-)	55 378	459 505	1 432	516 315	227 628
Non performing (CC TO D)	-	-	341 045	341 045	3 282 792
	12 162 504	470 209	395 967	13 028 680	5 961 145
Impairment allowance for loans and advances by lending category:					
Corporate Lending					
Good (AAA to- BBB-)	7 012 570	-	-	7 012 570	1 225 350
Special Mention (BB+ to CCC-)	-	337 075	-	337 075	91 304
Non performing (CC TO D)	-	-	2 777	2 777	2 042 925
Impairment allowance for corporate lending	7 012 570	337 075	2 777	7 352 422	3 359 579

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

	31 December 2018				Restated 31 Dec 2017
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Per IAS 39 US$
Guarantees					
Small business Lending					
Good (AAA to- BBB-)	97 706	131	-	97 837	124 054
Special Mention (BB+ to CCC-)	-	16 108	-	16 108	2 390
Non performing (CC TO D)	-	-	37 132	37 132	111 084
Impairment allowance for small business lending	97 706	16 239	37 132	151 077	237 528
Consumer lending					
Good (AAA to- BBB-)	2 045 252	3 651	5 268	2 054 171	650 038
Special Mention (BB+ to CCC-)	11 675	24 427	414	36 516	44 559
Non performing (CC TO D)	-	-	122 222	122 222	1 009 252
Impairment allowance for consumer lending	2 056 927	28 078	127 904	2 212 909	1 703 849
Mortgage Lending					
Good (AAA to- BBB-)	2 951 597	6 944	48 200	3 006 741	116 045
Special Mention (BB+ to CCC-)	43 706	81 894	1 020	126 620	89 376
Non performing (CC TO D)	-	-	178 911	178 911	454 769
Impairment allowance for mortgage lending	2 995 303	88 838	228 131	3 312 272	660 190

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

	31 December 2018				Restated 31 Dec 2017
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Per IAS 39 US$
Impairment allowances on guarantees and loan commitments included in provisions under other liabilities					
Guarantees					
Good (AAA to- BBB-)	231 367	-	-	231 367	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Impairment allowances for guarantees	231 367	-	-	231 367	-
Loan commitments					
Good (AAA to- BBB-)	514 967	-	-	514 967	-
Special Mention (BB+ to CCC-)	-	-	-	-	-
Non performing (CC TO D)	-	-	-	-	-
Impairment allowances for loan commitments	514 967	-	-	514 967	-
Insurance debtors	-	-	1 260 716	1 260 716	1 655 659
Other financial assets					
Debentures					
Non performing (CC TO D)	-	-	73 266	73 266	-
Bonds					
Good (AAA to BBB-)	43 459	-	-	43 459	-
Impairment allowances for other financial assets	43 459	-	73 266	116 725	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

	GROUP 31 Dec 2018 US$	Restated GROUP 31 Dec 2017 US$
ECL Movement		
Balance at beginning of period	7 616 804	6 684 196
Impact of IFRS 9 adoption at 1 Jan 2018	4 461 994	-
Increase / decrease in respect of impairments are:		
Loans and advances	5 696 143	3 563 353
Write offs against provision	(3 485 545)	(2 630 745)
	14 289 396	7 616 804
Analysis of loans and advances		
Balance at beginning of period	5 961 145	5 411 456
Impact of IFRS9 adoption at 1 Jan 2018	4 461 994	-
ECL for current period	6 091 086	3 180 434
Write offs against provision	(3 485 545)	(2 630 745)
Balance at end of period	13 028 680	5 961 145
Analysis of insurance debtors		
Balance at beginning of period	1 655 659	1 272 740
ECL for current period	(394 943)	382 919
Balance at end of period	1 260 716	1 655 659
Analysis of guarantees and loan commitments		
Guarantees		
Impact of IFRS 9 adoption at 1 Jan 2018	592 613	-
ECL for current period	(361 246)	-
Balance at end of period	231 367	-
Loan commitments		
Impact of IFRS 9 adoption at 1 Jan 2018	816 200	-
ECL for current period	(301 233)	-
Balance at end of period	514 967	-
Analysis of other financial assets		
Balance at beginning of period	-	-
ECL for current period	116 725	-
Balance at end of period	116 725	-

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.2.4 Credit risk (continued)

Impact evaluation

Credit risk was rated high due to the volatile operating environment as well as unavailability of foreign exchange.

The default and downgrade risk components of credit risk are more prevalent. Bankruptcy risk wherein collateral fails to realise exposure is marginal. Settlement risk posed by counterparties remains manageable.

Strategies for management / mitigation

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

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

Monitoring and controlling mechanisms

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

Adequacy and effectiveness of risk management systems

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

Risk Communication

Risk communication is prioritised to ensure that management / stakeholders have all the available risk information to aid their decision making as well as to facilitate assessment of the effectiveness and efficiency of the risk management function.

Financial guarantees

The Group has issued financial guarantees in respect of clients graded 1 to 4, and for which the maximum amount payable by the Group, assuming all guarantees are called on is US$16 038 026 (2017: US$13 565 238).

Sensitivity analysis

A 10% change in the assets classified as good to marginal category to a "loss" classification would result in the reported profit being reduced by US$8 381 063 (2017: US$8 095 343) and the total assets in the statement of financial position reducing by US$12 128 889 (2017:US$11 715 402).

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.3 Other business risks

38.3.1 Operational risk

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk is not typically taken in pursuit of an expected return, but exists as part of the normal course of business at all levels. The main sources of operational risk include;

- Legal risk
- Compliance and regulatory risk
- Financial crime

Legal risk

Legal risk arises from the necessity that the Group conducts its activities in conformity with the business and contractual legal principles applicable in each of the jurisdictions where it conducts its business. The possibility of a failure to meet these legal requirements may result in unenforceable contract disputes, litigation, fines, penalties, claims for damages or other adverse consequences.

Compliance and regulatory risk

Compliance and regulatory risk refers to the risk of failure to comply with laws, rules, regulations and other ethical and statutory standards. Compliance and regulatory risk has become increasingly significant and there continues to be considerable demand for compliance with various new and amended regulatory requirements. The Group remains committed to the highest regulatory and compliance standards, especially due to the increasing scale and complexity of laws and regulations.

Operational risk management

The Group business units act as the first line of defence and are responsible for the identification, measurement, monitoring and reporting of operational risk. Operational risk is reported and monitored through the Operational Risk function within the Group Business Risk department and overseen by the Board Risk Committee. The Operational Risk function acts as the second line of defence.

The primary responsibilities of the Operational Risk unit are to develop, maintain and champion the Group Operational Risk Management Framework, policies and enablers to support operational risk management in the business as well as the implementation of the Basel II and regulatory requirements and international best practice for operational risk management.

In addition, the Group has an independent Compliance function that forms part of the second line of defence within its risk management governance structure and the Group Internal Audit, being the third line of defence, provides assurance to the Board.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.3.1 Operational risk (continued)

Measurement methods

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

The primary operational risk measurement processes include Operational Risk Self Assessments (ORSA), internal loss data collection processes and governance, the tracking of key risk indicators (KRIs) and scenario analysis, which are designed to function in an integrated and mutually reinforcing manner.

Impact evaluation

The level of inherent operational risk is considered high and the aggregate operational risk management systems in place are acceptable, hence the overall composite operational risk is moderate. The direction of the risk is stable.

The Group's operational risk is heightened by the partial compliance to the Anti – Money Laundering (AML) and Counter Terrorist Financing (CFT) regulations; however there is a comprehensive, formal, well-documented and closely monitored plan to be fully compliant to the AML/CFT regulations.

Operational risk losses as at 31 December 2018 were within the set risk tolerance levels and a scenario where operational risk losses rise by 100% will have a minor impact on the Bank's Capital Adequacy Ratio.

The Group has put in place acceptable tools and techniques for managing operational risk.

Strategies for management / mitigation

The Group minimises people risk by ensuring that controls are incorporated into the recruitment and selection processes of all employees, including contractors, temporary employees and consultants. This process aims to minimise the Group's vulnerability to fraud, embezzlement, theft, corruption and mismanagement of job responsibilities. Fraud prevention measures include internal and external whistle blowing reporting lines and the Group maintains a policy of zero tolerance towards any dishonesty among staff members.

Staff members are continuously trained on new and amended regulatory requirements, and clearly defined policies and procedures that ensure compliance with all statutory requirements and regulatory obligations are in place.

The Group has a well-structured insurance programme for its financial and non-financial risks to mitigate its operational and fraud exposures. A business continuity management system which is aimed at ensuring resilient business activities in emergencies and disasters is in place.

Monitoring and controlling mechanisms

A well-defined and embedded reporting process is in place. Risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the Group.

Adequacy and effectiveness of risk management systems

The Group has put in place acceptable risk management systems to protect the Group's assets and mitigate operational risk.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.3.2 Reputational risks

Definition

Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholder's perceived trust and confidence in the Group. Reputational risk may arise from a variety of sources, such as fraud and non-compliance with statutory or regulatory requirements. Other sources of reputational risk may arise from failing to safeguard non-public customer information through outsourcing relationships, a high volume of customer complaints, or public regulatory sanctions.

Reputational risk management

Reputational risk is, to a large degree, mitigated by adequately managing the other key risks the Group faces. External communication to stakeholders is controlled by risk management policies, with a designated Group spokesperson.

The Group Corporate Services unit plays a major role in managing the Group's image and reputation. Key functions include marketing and communications.

Impact evaluation

The level of inherent reputational risk is considered high and the aggregate reputational risk management systems in place are acceptable, hence the overall composite reputational risk is moderate. The direction of the risk is stable.

The continued delay in the resolutions of the ZB Group shareholders' issues is heightening the reputational risk of the Group due to negative market perception.

The ZB Group has in place a Marketing Committee to oversee reputational risk, among other deliverables, including policy direction and guidance on brand visibility, innovation, new product development, product profitability and pricing.

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.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.3.3 Technological risk

Definition

Technology risk stems from risks associated with misalignment with business strategy; an uncoordinated or inefficient information technology (IT) strategy; failure of projects to deliver desired change, data protection and information privacy; effects of physical disasters on information systems; IT outsourcing, IT performance and information systems governance.

Information technology risk deals with the management of all risks associated with the ownership, involvement, operation, influence, adoption and use of IT at the Group.

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 (DRPs) and these are tested and maintained up to date. Access to computer systems is restricted to authorized personnel through a hierarchy of authority levels. A comprehensive information security policy drives and guides every aspect of acquisition and use of information technologies.

Impact evaluation

The level of inherent IT risk is considered high and the aggregate IT risk management systems in place are acceptable, hence the overall composite IT risk is moderate. The direction of the risk is increasing.

The Group's exposure to IT risk has been heightened by the unavailability of foreign currency to acquire new technologies and payment for software licenses.

Measurement methods

The Group measures the risk through setting and monitoring the maximum tolerance limits for system downtimes, ensuring that the reports are available at the appropriate times and generally that operational efficiency is being achieved. An enterprise wide risk management framework identifies and measures each domain of information technology risk, appropriating the level of inherent risk and the direction.

Strategies for management/mitigation

The Group manages this risk through continuous learning and staff development, regular and independent audits. Issues are also escalated to system vendors in accordance with the service level agreements in place and these are resolved expeditiously. Further, the Group updates BCPs and DRPs regularly and also conducts business continuity and disaster recovery simulations annually. The information technology policy document is reviewed, updated and shared on a regular basis, in view of the on-going changes in IT.

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 (continued)

For the year ended 31 December 2018

38.3.3 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.

38.3.4 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 as moderate as there are adequate systems of identifying, monitoring and controlling solvency risk. However, funding pressures remain pronounced whilst revenue expansion, as source of funding, is constrained.

Measurement methods

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

Strategies for management/mitigation

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

Adequacy and effectiveness of risk management systems

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.3.5 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 (2017: US$75 000) and concentration of insurance risk is in fire and motor classes, as management consider these classes to be profitable. There is no concentration of risk in terms of exposure to single customers.

Measurement methods

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

Strategies for management/mitigation

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

Details of underwriting risk in reinsurance business are as follows:

	COMPANY	Restated COMPANY	GROUP	Restated GROUP
	31 Dec 2018 US$	31 Dec 2017 US$	31 Dec 2018 US$	31 Dec 2017 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 (continued)

For the year ended 31 December 2018

38.4 Risk rating

38.4.1 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 [5] rating model.

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

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

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

Summary of Risk Assessment

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.4.1 Regulatory risk rating (contniued)

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.4.1 Regulatory risk rating (continued)

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.

Adequacy of Risk Management Systems

Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognized and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank's risk tolerance, responsibilities and accountabilities are effectively communicated.

Overall Composite Risk

Low - would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High - risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall condition.

Direction of Overall Composite risk

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

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

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

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

38.4.2 External credit ratings

Some of the Group's significant trading companies subscribe to an internationally recognised rating agency, Global Credit Rating Group (GCR) and the ratings for the last three (3) years were as follows:

Long-term debt rating scale:

Entity	2018	2017	2016
ZB Bank Limited	BB	BB-	BB-
ZB Building Society	BB-	BB	BB
ZB Reinsurance Company	A-	A-	A-

The ratings for ZB Bank Limited and ZB Building Society expire in September 2019, whilst the rating for ZB Reinsurance expires in May 2019.

39. COMPLIANCE WITH REGULATIONS

39.1 Regulatory capital requirements

Commercial banks and building societies in Zimbabwe were required to maintain a minimum capital level of US$25 million and US$20 million respectively as at 31 December 2018. ZB Building Society (ZBBS) did not meet these requirements as at 31 December 2018.

39.2 Corrective orders and regulatory penalties

The Company was issued with a corrective order on 7 March, 2017 following a targeted corporate governance inspection by the Reserve Bank of Zimbabwe (RBZ) in terms of Section 48(4) of the Banking Act (Chapter 24:20).

A compliance review was carried out in March, 2018 and noted progress made as well as residual matters that still require further action by the company.

The company has made significant progress in addressing outstanding matters and has kept the RBZ abreast with progress being made.

39.3 Other compliance issues

The directors are not aware of any other material cases of non-compliance with regulations governing the operations of all companies within the Group.

[6] GCR suspended short-term bank ratings in Zimbabwe from 2006 owing to the volatility of the economic environment. At the same time, all long-term ratings were placed on rating watch due to the resultant pricing risk attached to the potential roll-over of government debt, the impact that this would have on profitability across the sector and ultimately the ability to meet new capital requirements.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

40. SUBSEQUENT EVENTS

40.1 Events after the reporting period

Following the Monetary Policy Statement of 20 February, 2019, the Government of Zimbabwe issued Statutory Instrument (SI) 32 and 33 of 2019 on 22 February, 2019 together with Exchange Control Directive RU28 of 2019, the effects of which were to:

a) Formally recognise local unit monetary balances in the form of bank balances, balances on electronic payment platform and local bond notes as a currency distinct from the US$. These were subsequently named RTGS Dollars (otherwise identified as ZWL or $).
b) Create a base upon which the RTGS Dollars were to be allowed to trade against the US$ or any other foreign currencies on the interbank market at a floating rate.

Consequently, the new RTGS Dollars started to trade officially with the USD on 22 February, 2019 and the maiden rate of USD1:ZWL2.5 was established.

The Group's functional currency changed from US$ to ZWL in line with the reporting provisions of SI 33 of 2019.

Some components of the Group and Company's statement of financial position will be affected by the newly established foreign exchange regime and are expected to re-price to their true value in the ZWL currency whose rate against the US$ is yet to fully stabilize.

The table below illustrates the impact of various rate scenarios on the statement of financial position as at 31 December, 2018.

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

40.1 Events after the reporting period (continued)

Exchange rate scenario (USD:ZWL)	Notes	As Reported 1:1 ZWL$	Restated at floating rate scenarios 1:2.5 ZWL$	1:3.0 ZWL$	1:3.5 ZWL$	1:4.0 ZWL$
Assets						
Cash and short term funds	a	143 869 250	149 420 546	151 270 978	153 121 410	154 971 842
Money market investments		10 714 886	10 714 886	10 714 886	10 714 886	10 714 886
Treasury bills		194 347 351	194 347 351	194 347 351	194 347 351	194 347 351
Mortgages and other advances		121 907 358	134 627 345	138 867 341	143 107 336	147 347 332
Investments securities	b	56 513 232	85 810 936	95 576 837	105 342 738	115 108 640
Investment associates		36 145 227	78 999 374	93 284 089	107 568 805	121 853 520
Inventories, trade and other receivables		12 050 329	12 050 329	12 050 329	12 050 329	12 050 329
Operating lease assets		6 405 194	6 405 194	6 405 194	6 405 194	6 405 194
Intangible assets	c	10 938 773	27 346 931	32 816 317	38 285 703	43 755 089
Investment properties	c	33 323 232	83 308 086	99 969 704	116 631 321	133 292 938
Property and equipment	c	36 980 940	92 452 349	110 942 819	129 433 289	147 923 758
Total assets		663 195 772	875 483 327	946 245 845	1 017 008 362	1 087 770 879
Liabilities						
Deposits and other accounts		433 006 499	441 300 292	444 064 890	446 829 488	449 594 086
Short-term borrowings		14 640 035	14 640 035	14 640 035	14 640 035	14 640 035
Trade and other payables	d	41 480 900	44 468 955	45 464 974	46 460 991	47 457 010
Current tax liabilities		134 611	134 611	134 611	134 611	134 611
Deferred tax liabilities	e	3 611 132	7 865 959	9 284 235	10 702 510	12 120 786
Life assurance funds		37 439 715	93 599 288	112 319 145	131 039 003	149 758 860
Offshore borrowings		5 947 347	14 868 367	17 842 040	20 815 714	23 789 387
Lease liability		6 561 587	6 561 587	6 561 587	6 561 587	6 561 587
Total Liabilities		542 821 826	623 439 094	650 311 517	677 183 939	704 056 362

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

40.1 Events after the reporting period (continued)

Exchange rate scenario (USD:ZWL)	Notes	As Reported 1:1 ZWL$	1:2.5 ZWL$	Restated at floating rate scenarios 1:3.0 ZWL$	1:3.5 ZWL$	1:4.0 ZWL$
Equity						
Share capital		1 751 906	1 751 906	1 751 906	1 751 906	1 751 906
Share Premium		27 081 696	27 081 696	27 081 696	27 081 696	27 081 696
Other components of equity		24 174 887	24 174 887	24 174 887	24 174 887	24 174 887
Retained income		45 103 526	45 103 526	45 103 526	45 103 526	45 103 526
Change in functional currency reserve	f	-	100 496 552	133 995 402	167 494 252	200 993 101
Attributable to equity holders of parent		98 112 015	198 608 567	232 107 417	265 606 267	299 105 116
Non controlling interests		22 261 931	53 435 666	63 826 911	74 218 156	84 609 401
Total Equity		120 373 946	252 044 233	295 934 328	339 824 423	383 714 517
Total equity and liabilities		663 195 772	875 483 327	946 245 845	1 017 008 362	1 087 770 879

Notes to Consolidated and Separate Financial Statements (continued)

For the year ended 31 December 2018

40.1.2 Events after the reporting period (continued)

a) A balance of US$3.7m represents cash holdings or balances held in foreign currency that are classified as free cash flows in terms of Section 4.3 of the Exchange Control Directive RU28/2019 of 22 February 2019. These balances are not subject to mandatory liquidation and the Group expects to apply these funds without regulatory compulsion. The balance will be expected to re-price in ZWL is line with the movements in ZWL.

b) Fixed asset pricing on the market is already pegged at rates which are above the current interbank exchange rates. However, asset pricing dynamics are influenced by many factors beyond just the exchange rate and therefore parallel market rates may not be sustainable as a basis for the pricing of used assets. It is possible that future value increases that mirror movements in exchange rates may still be recognised. This will be considered as revaluation adjustments at the appropriate time.

c) Included in investments are listed equities amounting to US$23.3m and unlisted equities amounting to US$7.8m . Listed equities have been maintained at the ZSE listed price on the assumption that, being a free market, the prices would have been adjusted to reflect "true market" values, loaded for any foreign exchange implications. Unlisted equities which are accounted for using the equity method have been restated through a reconstruction of the investees statement of financial position and isolation of non-monetary assets and true US$ assets and liabilities from the "local" monetary assets and liabilities and applying the floating rate to the isolated balances.

d) Included in trade creditors are foreign liabilities amounting to US$1.4m. In the roll-out of the monetary policy measures, the RBZ made a general promise that all foreign creditors extant at the introduction of the floating currency rate between the USD and the ZWL, will be accommodated at the previous rate of 1:1 from resources that are expected to be mobilised by the RBZ. These liabilities have been translated at the floating rates in the proforma statements and any settlement at par with the US$ will result in future credit which will be recognised as a restoration of capital through exchange income.

e) Deferred taxation has been computed on the balance sheet uplift without restating the underlying tax values of affected assets and liabilities. No tax regulations have been released

f) The functional currency translation reserve arose as a result of change in functional currency from USD to RTGS$. This is not in compliance with IAS 21 which requires that the translation adjustments be recognised in Statement of Profit or Loss and Other Comprehensive Income.

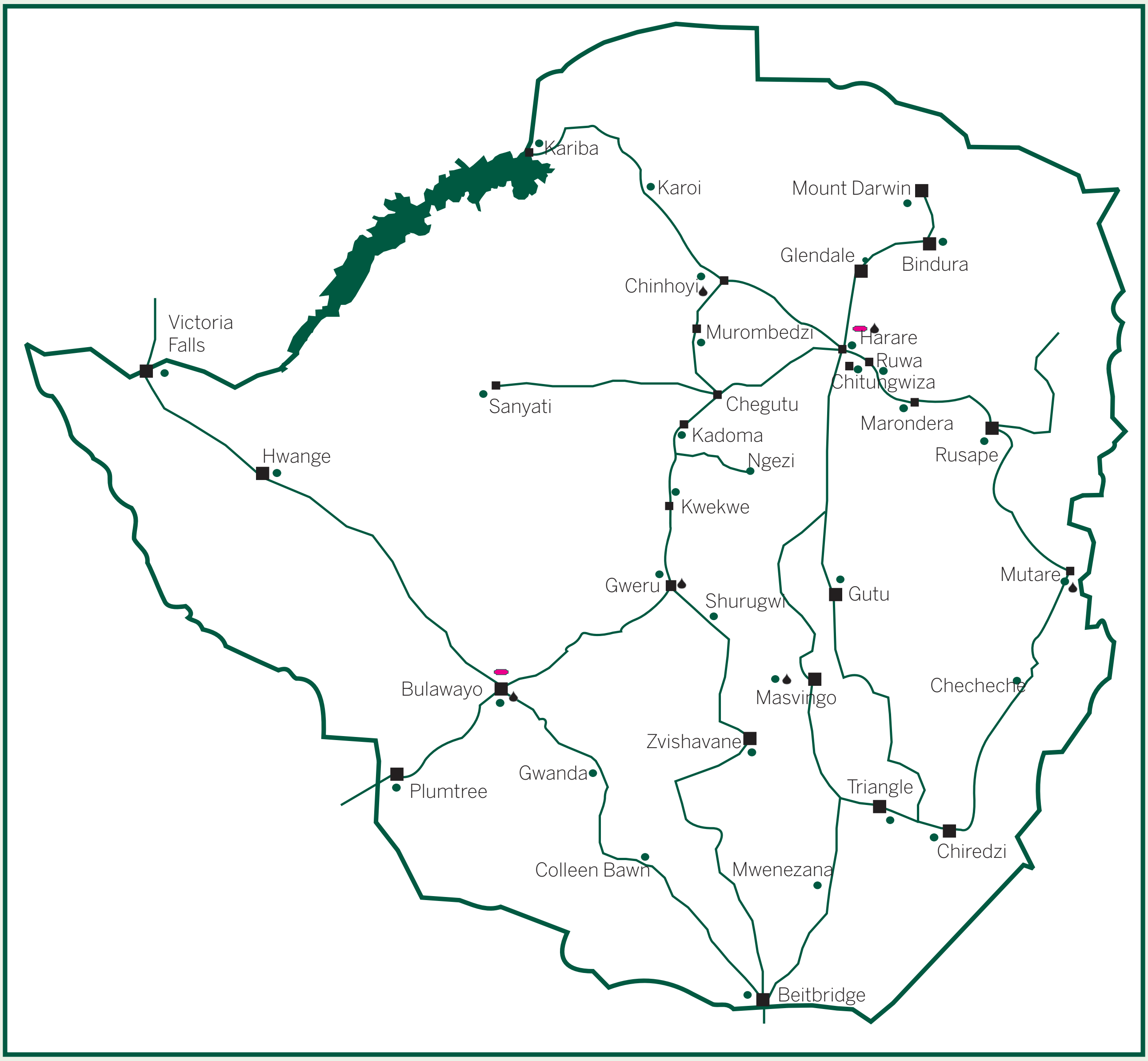
41. GOING CONCERN

The Board has reviewed budgets for 2019 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 2018



KEY

- Banking operations
- ZB Reinsurance
- ZB Life Assurance

NB: Banking operations include both ZB Bank and ZB Building Society.

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2018

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

Head 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 of Corporate 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

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

Glendale Branch
Megasave Complex
Valley Shopping Centre
Concession Road
Glendale
Telephone: +263 (0) 867 700 2001

ZB Financial Holdings Group Footprint (continued)

For the year ended 31 December 2018

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 (continued)

For the year ended 31 December 2018

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 (continued)

For the year ended 31 December 2018

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 (continued)

For the year ended 31 December 2018

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

For the year ended 31 December 2018

I/We ....

....

of...

.... being (a) member(s) of ZB Financial Holdings Limited entitled to ....

.... votes/shares held, do hereby appoint ....

............................or failing whom, the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of members of the Company to be held in the Boardroom, Ground Floor, 21 Natal Road, Avondale, Harare, on Thursday 28 June 2019, 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 2018.			
2	Ordinary	To confirm the final dividend of ZWL1.57 cents per Ordinary Share as recommended by the Board.			
3	Ordinary	To elect directors for the Company:- 3.1 Reappointment of the following directors who retire by rotation in terms of Article 68 of the Company's Articles of Association:			
		i) C. Manyeruke			
		ii) T. S. Bvurere			
		3.2 Election of the following directors who, having been appointed during the year, retire at the end of the meeting in terms of Article 62 of the Company's Articles of Association:			
		i) A. Makamure			
		ii) K. Maungazuva			
		iii) T. Sibanda			
		Brief profiles of these directors are contained on pages 16 and 17 of this annual report.			
4	Ordinary	To approve the remuneration of the Directors for the past financial year.			
5	Ordinary	5.1 To approve the remuneration to Deloitte & Touche (Zimbabwe), the Company's Auditor for the past financial year's audit, in terms of Article 112 of the Articles of the Company.			
		5.2 To re-appoint Deloitte & Touche (Zimbabwe) as the Company's auditor for the ensuing year.			

ANY OTHER BUSINESS

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

Proxy Form (continued)

For the year ended 31 December 2018

Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If no indication is given, the proxy will vote or abstain at his/her own discretion.

Signed at .... on the .... day of ....2018.

Full name(s) ....

Signature(s) of member(s) ....

GENERAL NOTES:

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

i) To be valid, the form of proxy should be completed and returned to the Company Secretary, Ground Floor, 21 Natal Road, Avondale, Harare and should be received at least 48 hours before the scheduled time of the Annual General Meeting.

ii) Completion of the form of proxy does not preclude a person from subsequently attending and voting in person at the Annual General Meeting.