

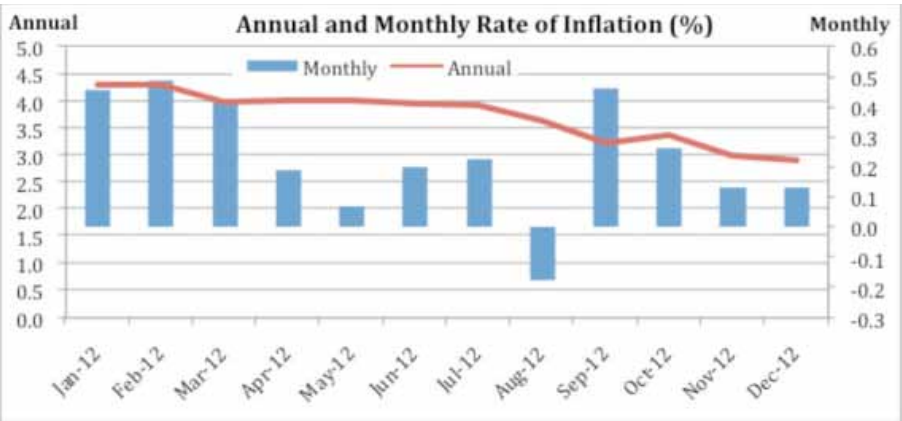
## Chairman’s Statement

I take great pleasure in presenting our audited financial results for the year ended 31 December 2012, during which period we continued to make inroads in the banking, insurance and asset management frontiers. Once again our performance has delivered consistent value to our shareholders as we continue to grow our income and profits.

### Operating Environment

The positive growth rates registered by the economy since the introduction of the multiple currency regime and other market friendly policies in 2009 decelerated during the period under review. The economy has been affected by liquidity constraints, lack of long term funding for industry recapitalisation and a deteriorating infrastructure. As such, the economy, initially projected to grow by 9.4%, grew by 4.4%.

It was encouraging, however, to observe the declining trend in monthly inflation from 0.46% at the beginning of the year to 0.13% at year end. Annual inflation also declined from 4.31% to close the year at 2.91%. The downward trend in inflation was attributed to the fall in crude oil prices which had exerted a lot of inflationary pressures on many oil importing countries.



### Capital Market

Trade on the Stock Market remained subdued for the most part due to liquidity constraints that were still being experienced and the implementation of the country’s indigenisation policy. This saw a decline in the benchmark industrial index, which closed 2012 at 131.96 points and the mining index which closed the same period at 75.7 points.

The CBZH stock opened the year at 14 cents and reached a low of 5 cents on 23 March 2012, before rising to close the year at 10 cents. With 648 million shares in issue, approximately 90.7 million of the Company’s shares changed hands during the year, 70 million of which were acquired by the Company as treasury shares. The Company reached a market capitalisation of US\$64.8 million at the close of the year.



### Overview of the Group’s performance

The Group continued to show improved results when compared to the same period last year. Below are the key highlights of the Group’s performance for the stated period:

	Audited Year Ended 31-Dec-12 US\$m	Audited Year Ended 31-Dec-11 US\$m
Financial Performance		
Profit before taxation	55.6	38.2
Profit after taxation	45.0	30.3
Total comprehensive income	50.1	33.1
Total assets	1 223.1	1,055.7
Total equity and reserves	160.7	119.2
Total deposits	1 032.4	829.9
Total advances	854.7	790.3
Other statistics		
Basic earnings per share(cents)	8.08	4.83
Non- interest Income to total Income %	33.9	39.0
Cost to income ratio %	57.8	56.5
Annualised return on assets %	4.5	3.6
Annualised return on equity %	28.1	25.4
Growth in deposits %	24.4	43.5
Growth in advances %	8.1	77.8
Growth in PBT %	45.4	49.6
Growth in PAT %	48.4	61.6

I am encouraged by the Group’s progress in meeting one of its key objectives of consolidating activities within the Group. The synergies created amongst the subsidiaries resulted in improved overall Group performance and we shall continue to exploit these synergies to maintain our position as the largest diversified financial services Group in Zimbabwe.

### Directorship

During the period under review Mr. Nyasha Makuvis retired from the Board of Directors with effect from 1 April 2012 and Mr. Robert Reid resigned from the Board with effect from 31 August 2012. On behalf of the Board I would like to thank them for their contribution.

The Group welcomes Mr. Richard Victor Wilde, Mrs. Rebecca Pasi and Mr. Elliot Mugamu, who accepted appointment to the Board as Independent Non-executive Directors with effect from 1 April 2012.

### Regulation

The Group is cognisant of its fundamental role in our economy and therefore strong governance is integral to our long term success. The Group has remained compliant with all requirements of the regulatory bodies in its business environment and continually assesses its governance structures to ensure its effectiveness.

### Dividend

In line with the Group’s dividend growth policy, and the need to uphold shareholders’ investment value, the Board declared an interim dividend of 0.132 cents per share. A final dividend of 0.172 cents per share has been proposed and this translates to a total annual dividend of US\$ 2 081 397, up 21.7% from the 2011 figure.

### Outlook

We remain hopeful for an improved operating environment which is conducive for sustainable investment. The need for long lasting solutions to the funding challenges and the resuscitation of the ailing manufacturing sector remains a priority for the economy to register meaningful positive growth.

The Group shall make it a priority to contribute to the overall improvement of the country’s investment climate in order to attract positive net investment into all sectors of the economy and restore the country’s capacity to produce goods and services competitively.

### Appreciation

My appreciation goes to the Board of the Group and its subsidiaries, management and staff for their commitment to the common goals of growth and success. Achievement of these goals would be impossible without the unwavering support of our treasured stakeholders who remain the backbone of our existence. We hope to sustain our relationships in our pursuit of growth through diversification.



L. Zembe  
Chairman  
26 February 2013

## Auditor’s Statement

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2012, which have been audited by Deloitte & Touche and an unmodified audit opinion issued thereon. The auditor’s report on these financial results is available for inspection at the company’s registered office.

Deloitte & Touche  
Harare, Zimbabwe

26 February 2013

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	31 Dec 2012 US\$	31 Dec 2011 US\$
Interest income	2	156 861 775	109 563 384
Interest expense	2	(61 523 515)	(34 509 502)
Net interest income		95 338 260	75 053 882
Non-interest income	3	44 072 651	44 863 445
Underwriting income (net)	4	4 723 220	3 173 779
Total income		144 134 131	123 091 106
Operating expenditure	5	(83 299 535)	(69 556 084)
Operating income		60 834 596	53 535 022
Charge for impairment	11.5	(4 632 446)	(14 437 074)
Transfer to Life Fund		(646 528)	(891 755)
Profit before taxation		55 555 622	38 206 193
Taxation	6.1	(10 530 635)	(7 862 892)
Profit for the year after tax		45 024 987	30 343 301

### Other comprehensive income

Gains on property revaluation		5 016 300	3 426 793
Fair value adjustment on available-for-sale (AFS) financial instruments	6.3	643 003	(234 166)
Income tax relating to components of other comprehensive income	6.3	(596 405)	(422 030)
Other comprehensive income for the year net of tax		5 062 898	2 770 597
Total comprehensive income for the year		50 087 885	33 113 898

### Profit for the year attributable to:

Equity holders of parent		44 930 463	30 220 998
Non-controlling interests		94 524	122 303
Profit for the year		45 024 987	30 343 301

### Total comprehensive income attributable to:

Equity holders of parent		49 993 361	32 991 595
Non-controlling interests		94 524	122 303
Total comprehensive income for the year		50 087 885	33 113 898

### Earnings per share (cents):

Basic	8	8.08	4.83
Fully diluted	8	7.89	4.83
Headline	8	7.43	4.29

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	31 Dec 2012 US\$	31 Dec 2011 US\$
ASSETS			
Balances with banks and cash	7	180 186 510	142 453 856
Money market assets	10	24 896 421	7 958 378
Advances	11	854 689 983	790 340 120
Insurance assets	12	4 706 525	1 521 203
Other assets	13	52 217 859	18 351 278
Investment in equities	14	2 181 257	2 452 858
Investment properties	16	20 335 977	17 821 110
Property and equipment	15	74 248 554	66 501 576
Intangible assets	17	2 090 819	2 537 393
Deferred taxation	18	7 539 322	5 759 724
TOTAL ASSETS		1 223 093 227	1 055 697 496
LIABILITIES			
Deposits	19	1 032 352 075	829 896 724
Insurance liabilities	20	6 647 107	3 874 334
Other liabilities	21	16 019 797	94 336 878
Current tax payable		5 013 168	5 241 028
Deferred taxation	18	2 383 845	3 099 190
TOTAL LIABILITIES		1 062 415 992	936 448 154
EQUITY AND RESERVES			
Share capital	22.1	6 841 445	6 841 445
Share premium	22.2	26 708 659	26 708 659
Treasury shares	22.3	(8 195 417)	(587 510)
Non-distributable reserve	22.4	13 000 000	13 000 000
Revaluation reserve	22.5	20 392 736	15 966 335
Share option reserve	22.6	499 637	-
Available-for-sale reserve	22.7	-	(636 497)
Revenue reserve	22.8	100 943 928	57 565 187
Equity and reserves attributable to equity holders of the parent		160 190 988	118 857 619
Non-controlling interests	23	486 247	391 723
TOTAL EQUITY AND RESERVES		160 677 235	119 249 342
TOTAL LIABILITIES, EQUITY AND RESERVES		1 223 093 227	1 055 697 496





CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2012

	Share capital US\$	Share premium US\$	Treasury shares US\$	Non-distributable reserve US\$	Revaluation reserve US\$	Share option reserve US\$	Available-for-sale reserve US\$	Revenue reserve US\$	Non-controlling interests US\$	Total US\$
<b>2011</b>										
Balance at the beginning of the year	6 841 445	26 708 659	(587 510)	13 000 000	12 962 954	-	(403 713)	28 100 321	210 296	86 832 452
Total comprehensive income	-	-	-	-	3 003 381	-	(232 784)	30 220 998	122 303	33 113 898
Rights issue	-	-	-	-	-	-	-	-	59 124	59 124
Dividends	-	-	-	-	-	-	-	(756 132)	-	(756 132)
<b>Balance at 31 December 2011</b>	<b>6 841 445</b>	<b>26 708 659</b>	<b>(587 510)</b>	<b>13 000 000</b>	<b>15 966 335</b>	<b>-</b>	<b>(636 497)</b>	<b>57 565 187</b>	<b>391 723</b>	<b>119 249 342</b>
<b>2012</b>										
Balance at the beginning of the year	6 841 445	26 708 659	(587 510)	13 000 000	15 966 335	-	(636 497)	57 565 187	391 723	119 249 342
Total comprehensive income	-	-	-	-	4 426 401	-	636 497	44 930 463	94 524	50 087 885
Treasury shares acquisition	-	-	(7 613 361)	-	-	-	-	-	-	(7 613 361)
Treasury shares disposal	-	-	5 454	-	-	-	-	91 252	-	96 706
Employee share option reserve	-	-	-	-	-	499 637	-	-	-	499 637
Dividends	-	-	-	-	-	-	-	(1 642 974)	-	(1 642 974)
<b>Balance at 31 December 2012</b>	<b>6 841 445</b>	<b>26 708 659</b>	<b>(8 195 417)</b>	<b>13 000 000</b>	<b>20 392 736</b>	<b>499 637</b>	<b>-</b>	<b>100 943 928</b>	<b>486 247</b>	<b>160 677 235</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended 31 December 2012

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>55 555 622</b>	<b>38 206 193</b>
Non cash items:		
Depreciation and amortisation	5 524 838	4 005 981
Fair value adjustments	(2 490 124)	(968 887)
Impairment on advances	4 632 446	14 437 074
Unrealised gain on foreign currency position	(3 328 089)	(3 144 505)
Profit on disposal of investment properties	-	(379 406)
Unearned premium	259 787	805 928
Claims provision Incurred But Not Reported (IBNR)	517 368	160 961
Loss on sale of property and equipment	160 793	12 974
Employee share option provision	499 637	-
<b>Operating profit before changes in operating assets and liabilities</b>	<b>61 332 278</b>	<b>53 136 313</b>
<b>Changes in operating assets and liabilities</b>		
Deposits	205 783 442	254 673 677
Advances	(68 982 309)	(360 171 793)
Money market assets	(16 938 043)	14 189 759
Insurance assets	(3 185 322)	(1 220 714)
Insurance liabilities	1 995 618	1 619 017
Other assets	(33 866 581)	(8 569 337)
Other liabilities	(78 317 081)	82 417 897
	<b>6 489 724</b>	<b>(17 061 494)</b>
Corporate tax paid	(13 849 844)	(11 967 086)
<b>Net cash inflow from operating activities</b>	<b>53 972 158</b>	<b>24 107 733</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of investment property	-	456 073
Net change in investments	905 974	(123 508)
Purchase of investment properties	(16 113)	(229 200)
Proceeds on disposal of property and equipment	411 297	674 170
Purchase of property and equipment	(8 087 695)	(10 903 471)
Purchase of intangible assets	(293 338)	(1 883 324)
<b>Net cash outflow from investing activities</b>	<b>(7 079 875)</b>	<b>(12 009 260)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Rights Issue (Non-controlling interest's portion)	-	59 124
Treasury shares acquisition	(7 613 361)	-
Treasury shares disposal	96 706	-
Dividends paid	(1 642 974)	(756 132)
<b>Net cash outflow from financing activities</b>	<b>(9 159 629)</b>	<b>(697 008)</b>
Net increase in balances with banks and cash	37 732 654	11 401 465
Balances with banks and cash at the beginning of the year	142 453 856	131 052 391
<b>Balances with banks and cash at end of the year</b>	<b>180 186 510</b>	<b>142 453 856</b>

ACCOUNTING POLICIES  
For the year ended 31 December 2012

1. GROUP ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies applied consistently by the Group.

1.1 BASIS OF PREPARATION

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

The financial results are presented in United States dollars (US\$).

Basis of consolidation

The Group financial results incorporate the financial results of the Company, its subsidiaries and associate company. Subsidiary undertakings are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights and is able to exercise control of the operations. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are incorporated from the dates control was acquired and up to the date control ceased.

The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group bal ances, transactions, income and expenses; profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full.

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

Compliance with Companies, Banking, Insurance and Building Society Acts and Statutory Instruments (SI 33/99 and SI 62/99)

These financial results which have been prepared under the historical cost convention are in agreement with the underlying books and records. The financial results have been prepared in accordance with the Group's accounting policies and are in compliance with all the requirements of the Companies Act (Chapter 24:03) and Statutory Instruments SI 33/99 and SI 62/99, the Banking Act (Chapter 24:20), the Insurance Act (Chapter 24:07), the Building Societies Act (Chapter 24:02) and the Asset Management Act (Chapter 24:26).

Compliance with IFRS

The financial results have been prepared in conformity with IFRS, promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB as well as International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management made certain judgements and estimates that have a significant effect on the amounts recognised in the financial results. For a detailed analysis of the significant accounting estimates and judgements, kindly refer to the Group's annual report, which is ready for inspection at the company's registered office.

1.3 GROUP ACCOUNTING POLICIES

A full set of the Group's accounting policies is available in the Group's annual report, which is ready for inspection at the company's registered office.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS  
For the year ended 31 December 2012

1. INCORPORATION AND ACTIVITIES

The consolidated financial results of the Group for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2013. The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe.

2. INTEREST

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>Interest Income</b>		
Bankers acceptances	410 392	364 607
Overdrafts	76 854 234	71 559 792
Loans	49 141 455	29 585 791
Mortgage interest	5 310 280	3 213 668
Staff loans	2 778 451	2 612 136
	<b>134 494 812</b>	<b>107 335 994</b>
Short-term money market assets	1 180 915	954 286
Other investments	21 186 048	1 273 104
	<b>156 861 775</b>	<b>109 563 384</b>
<b>Interest expense</b>		
Call deposits	68 409	172 536
Savings deposits	6 342 095	7 052 546
Money market deposits	37 862 439	17 103 312
Other offshore deposits	17 250 572	10 181 108
	<b>61 523 515</b>	<b>34 509 502</b>

3. NON-INTEREST INCOME

Net income from trading securities	46 247	235 887
Fair value adjustments on financial instruments	(8 630)	(322 452)
Fair value adjustments on investment properties	2 498 754	1 291 339
Net income from foreign currencies dealings	4 455 556	6 306 960
Commission and fee income	30 057 188	20 615 763
(Loss)/profit on sale of assets	(160 793)	366 432
Other operating income	7 184 329	16 369 516
	<b>44 072 651</b>	<b>44 863 445</b>

4. UNDERWRITING INCOME (NET)

Gross premium insurance	11 754 811	7 554 730
Reinsurance	(4 996 096)	(3 508 597)
Net written premium	6 758 715	4 046 133
Unearned premium	(109 782)	(53 134)
Net earned premium	6 648 933	3 992 999
Net commission	(224 031)	(81 146)
Net claims	(1 701 682)	(738 074)
	<b>4 723 220</b>	<b>3 173 779</b>

5. OPERATING EXPENDITURE

Staff costs	44 809 023	37 986 959
Administration expenses	32 370 818	27 168 884
Audit fees	594 856	394 260
Depreciation	4 784 927	3 834 270
Amortisation of intangible assets	739 911	171 711
	<b>83 299 535</b>	<b>69 556 084</b>

Remuneration of directors and key management personnel (included in staff costs)

Fees for services as directors	555 800	592 642
Pension for past and present directors	172 843	96 556
Salaries and other benefits	4 384 954	4 017 256
	<b>5 113 597</b>	<b>4 706 454</b>

Operating Leases

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

Non cancellable lease rentals are payable as follows:

Less than 1 year	223 551	145 255
Between 1 and 5 years	1 306 579	1 077 368
	<b>1 530 130</b>	<b>1 222 623</b>

The Group leases a number of branches under operating leases. The leases typically run for a period of less than 5 years with an option to renew the lease after the expiry date.

During the year ended 31 December 2012, an amount of US\$1 193 268 was recognised as rent expense in the statement of comprehensive income.

6. TAXATION

Current income tax and deferred tax on temporary differences have been fully provided for. Deferred income tax is calculated using the statement of financial position liability method.

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>6.1 Analysis of tax charge in respect of the profit for the year</b>		
Current income tax charge	13 621 984	13 632 552
Deferred income tax	(3 091 349)	(5 769 660)
<b>Income tax expense</b>	<b>10 530 635</b>	<b>7 862 892</b>
<b>6.2 Tax rate reconciliation</b>		
	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Permanent differences	(6.79)	(5.17)
<b>Effective tax rate</b>	<b>18.96</b>	<b>20.58</b>
<b>6.3 Tax effects relating to other comprehensive income</b>		
Gross revaluation adjustment	5 016 300	3 426 793
Tax expense	(589 899)	(423 412)
<b>Net revaluation adjustment</b>	<b>4 426 401</b>	<b>3 003 381</b>
Gross fair value adjustment on AFS financial assets	643 003	(234 166)
Tax (expense)/credit	(6 506)	1 382
<b>Net fair value adjustment on AFS financial adjustments</b>	<b>636 497</b>	<b>(232 784)</b>
<b>Total taxation</b>	<b>596 405</b>	<b>422 030</b>
<b>7. BALANCES WITH BANKS AND CASH</b>		
Balance with the Reserve Bank of Zimbabwe	<b>102 502 494</b>	<b>84 085 995</b>
Statutory reserve	-	9 442 548
Current accounts	102 502 494	74 643 447
Balances with other banks and cash	<b>77 684 016</b>	<b>58 367 861</b>
Cash foreign	38 778 884	33 486 369
Nostro accounts	33 137 879	19 146 027
Interbank clearing accounts	5 767 253	5 735 465
	<b>180 186 510</b>	<b>142 453 856</b>

During the year, statutory reserve with the Reserve Bank of Zimbabwe were converted to discountable and tradable bills. These balance have been disclosed under money market assets.



# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

## 8. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares adjusted for the effects of all potentially dilutive ordinary shares.

Headline earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent after adjustments for excluded remeasurements by the weighted average number of ordinary shares outstanding during the period.

	31 Dec 2012	31 Dec 2011
<b>Earnings per share (cents):</b>		
Basic	8.08	4.83
Fully diluted	7.89	4.83
Headline	7.43	4.29

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

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>8.1 Earnings</b>		
Basic earnings (earnings attributable to equity holders of parent)	44 930 463	30 220 998
Fully diluted	44 930 463	30 220 998
Headline	41 314 365	26 849 803
<b>Number of shares used in calculations (weighted) of:</b>		
Basic earnings per share (weighted)	555 766 221	625 571 851
Fully diluted earnings per share (weighted)	569 593 492	625 571 851
Headline earnings per share (weighted)	555 766 221	625 571 851
<b>8.2 Reconciliation of denominators used for calculating basic and diluted earnings per share:</b>		
Weighted average number of shares before adjustment for treasury shares	684 144 546	684 144 546
Less: Treasury Shares held	(128 378 325)	(58 572 695)
Weighted average number of shares used for basic EPS	555 766 221	625 571 851
Potentially dilutive shares (Employee Share Options)	13 827 271	-
<b>Weighted average number of shares used for diluted EPS</b>	<b>569 593 492</b>	<b>625 571 851</b>
<b>8.3 Headline Earnings</b>		
Profit attributable to ordinary shareholders	44 930 463	30 220 998
Adjusted for excluded re-measurements:		
Impairment on property and equipment and intangibles	-	-
Disposal loss/(gain) on property and equipment and intangibles	160 793	(366 432)
Gains on investment property valuations	(5 016 300)	(3 426 793)
Loss on AFS financial instruments reclassified from equity	643 003	-
Tax relating to re-measurements	596 405	422 030
	<b>41 314 364</b>	<b>26 849 803</b>
<b>9. DIVIDENDS</b>		
Interim dividend paid	903 071	820 973
Final dividend proposed	1 178 326	889 388
	<b>2 081 397</b>	<b>1 710 361</b>
<b>10. MONEY MARKET ASSETS</b>		
Agro bills	50 000	40 000
Call placements	13 239 994	7 774 842
Accrued interest	441 992	143 536
Treasury bills	11 164 435	-
	<b>24 896 421</b>	<b>7 958 378</b>
<b>10.1 Money market portfolio analysis</b>		
Held to maturity	1 081 658	2 908 378
Held for trading portfolio	23 814 763	5 050 000
	<b>24 896 421</b>	<b>7 958 378</b>
<b>Maturity analysis</b>		
Between 1 and 3 months	13 989 209	7 390 012
Between 3 months and 1 year	10 800 401	548 031
Between 1 and 5 years	106 811	20 335
	<b>24 896 421</b>	<b>7 958 378</b>
<b>10.2 Financial assets held for trading</b>		
Trading bills and placements	<b>24 896 421</b>	<b>7 958 378</b>
Maturity value	25 014 327	7 960 410
Book value	24 896 421	7 958 378
<b>10.3 Financial assets classification</b>		
Financial assets held for trading	24 896 421	5 050 000
Financial assets designed at fair value through profit or loss	-	2 908 378
	<b>24 896 421</b>	<b>7 958 378</b>

The Group holds Treasury bills from the Reserve Bank of Zimbabwe with a value of \$1 million. The Treasury bills are classified as fair value through profit and loss.

		31 Dec 2012 US\$	31 Dec 2011 US\$		
11.	ADVANCES				
	Overdrafts	488 988 537	437 704 208		
	Loans	303 554 515	302 849 722		
	Mortgage advances	89 980 277	64 761 038		
		882 523 329	805 314 968		
	Interest accrued	7 621 860	6 692 322		
	Total gross advances	890 145 189	812 007 290		
	Impairment	(35 455 206)	(21 667 170)		
	Net advances	854 689 983	790 340 120		
11.1	Sectoral analysis				
		%	%		
	Private	94 382 701	11	93 207 221	11
	Agriculture	266 467 187	30	233 144 973	29
	Mining	13 562 452	2	7 209 438	1
	Manufacturing	153 521 287	17	114 845 350	14
	Distribution	216 351 971	24	184 867 072	23
	Construction	4 607 354	1	20 669 243	3
	Transport	21 584 514	2	44 413 867	5
	Communication	6 636 850	1	5 014 143	1
	Services	111 954 128	12	107 625 300	13
	Financial Organisations	1 076 745	-	1 010 683	-
		890 145 189	100	812 007 290	100

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>11.2 Maturity analysis</b>		
Demand	524 181 656	439 314 162
Between 1 and 3 months	22 299 913	28 428 127
Between 3 and 6 months	14 543 293	11 446 062
Between 6 months and 1 year	59 863 136	66 610 638
Between 1 and 5 years	169 986 402	226 932 346
More than 5 years	99 270 789	39 275 955
	<b>890 145 189</b>	<b>812 007 290</b>

Maturity analysis is based on the remaining period from 31 December 2012 to contractual maturity.

	31 Dec 2012 US\$	31 Dec 2011 US\$
11.3	Loans to directors, key management and employees	
	Loans to directors and key management	
	Included in advances are loans to executive directors and key management:-	
	Opening balance	3 534 685
	Advances made during the year	3 532 272
	Repayment during the year	(1 073 668)
	Balance at end of year	5 993 289
	Loans to employees	
	Included in advances are loans to employees: -	
	Opening balance	35 492 076
	Advances made during the year	9 281 704
	Repayments during the year	(6 700 260)
	Balance at end of year	38 073 520
11.4	Non performing advances	
	Total advances on which interest is suspended	41 861 695
11.5	Impairments	
	Opening balance	21 667 169
	Charge for impairment on advances	4 618 173
	Interest in suspense	9 169 864
		35 455 206
	Provision for doubtful insurance debt	14 273
	Balance at end of year	35 469 479
	Comprising:	
	Specific impairments	19 213 448
	Portfolio impairments	16 241 758
		35 455 206
11.6	Collaterals	
	Notarial general covering bonds	424 078 703
	Mortgage bonds	726 740 897
		1 150 819 600
12.	INSURANCE ASSETS	
	Reinsurance receivables	4 483 745
	Deferred acquisition cost	222 780
		4 706 525
13.	OTHER ASSETS	
	Work in progress	14 214 124
	Land and stands inventory	14 894 700
	Prepaid bond costs	-
	Prepayments and deposits	1 536 930
	Receivables	21 572 105
		52 217 859
14.	INVESTMENT IN EQUITIES	
	Listed investment	1 772 190
	Unlisted investments	409 067
		2 181 257
	At cost	409 067
	At fair value	1 772 190
		2 181 257
	Portfolio analysis	
	Trading	2 181 257
	Available for sale	-
		2 181 257
14.1	Investment in subsidiaries	
		%
	CBZ Bank Limited	21 839 891 100
	CBZ Asset Management (Private) Limited	1 423 430 100
	CBZ Building Society	19 114 990 100
	CBZ Insurance (Private) Limited	374 579 58.5
	CBZ Properties Limited	4 779 144 100
	CBZ Life Assurance (Private) Limited	1 388 014 100
		48 920 049 48 571 520

Properties were revalued on an open market basis by an independent professional valuer, Mabikacheche and Associates as at 31 December 2012 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.







# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>21. OTHER LIABILITIES</b>		
Revenue received in advance	859 007	17 286 586
Sundry creditors	13 087 114	7 859 358
Salaries outward suspense	-	33 997 421
RTGS suspense	-	28 919 232
Other	2 073 676	6 274 281
	<b>16 019 797</b>	<b>94 336 878</b>
<b>22. EQUITY AND RESERVES</b>		
<b>22.1 SHARE CAPITAL</b>		
<b>Authorised</b> 1 000 000 000 ordinary shares of US\$ 0.01each	10 000 000	10 000 000
<b>Issued and fully paid</b> 684 144 546 ordinary shares of US\$ 0.01each	6 841 445	6 841 445
<b>22.2 Share premium</b> Opening balance Movement	26 708 659 -	26 708 659 -
<b>Closing Balance</b>	<b>26 708 659</b>	<b>26 708 659</b>
<b>22.3 Treasury shares</b> Opening balance Share buyback Disposal of shares	587 510 7 613 361 (5 454)	587 510 - -
<b>Closing balance</b>	<b>8 195 417</b>	<b>587 510</b>

During the year, the Group purchased 68 414 544 shares at an average price of \$0.11 per share. The share buy back was in fulfilment of the resolution made at the AGM to purchase the company's issued share capital.

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>22.4 Non-distributable reserve</b> Opening balance Movement for the year	13 000 000 -	13 000 000 -
<b>Closing balance</b>	<b>13 000 000</b>	<b>13 000 000</b>
<b>22.5 Revaluation reserve</b> Opening balance Total comprehensive income	15 966 335 4 426 401	12 962 954 3 003 381
<b>Closing balance</b>	<b>20 392 736</b>	<b>15 966 335</b>
<b>22.6 Employee share option reserve</b> Opening balance Total comprehensive income	- 499 637	- -
<b>Closing balance</b>	<b>499 637</b>	<b>-</b>
<b>22.7 Available for sale reserve</b> Opening balance Total comprehensive income	(636 497) 636 497	(403 713) (232 784)
<b>Closing balance</b>	<b>-</b>	<b>(636 497)</b>
<b>22.8 Revenue reserve</b> Revenue reserves comprise: Holding company Subsidiary companies Effects of consolidation journals	15 895 428 88 490 270 (3 441 770)	(2 425 676) 63 261 447 (3 270 584)
	<b>100 943 928</b>	<b>57 565 187</b>
<b>23 NON CONTROLLING INTERESTS</b> Non controlling interests comprise: Opening balance Total comprehensive income Rights issue	391 723 94 524 -	210 296 122 303 59 124
<b>Closing balance</b>	<b>486 247</b>	<b>391 723</b>

## 24.Categories of Financial Instruments

	Held for trading US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
<b>December 2012</b>					
<b>Financial assets</b>					
Balances with banks and cash	-	-	180 186 510	-	180 186 510
Money market assets	24 896 421	-	-	-	24 896 421
Advances	-	-	854 689 983	-	854 689 983
Insurance assets	-	-	4 706 525	-	4 706 525
Investments	2 181 257	-	-	-	2 181 257
Other assets	-	-	52 217 859	-	52 217 859
<b>Total</b>	<b>27 077 678</b>	<b>-</b>	<b>1 091 800 877</b>	<b>-</b>	<b>1 118 878 554</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	1 032 352 075	1 032 352 075
Other liabilities	-	-	-	16 019 797	16 019 797
Current tax payable	-	-	-	5 013 168	5 013 168
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 053 385 040</b>	<b>1 053 385 040</b>
<b>December 2011</b>					
<b>Financial assets</b>					
Balances with banks and cash	-	-	142 453 856	-	142 453 856
Money market assets	7 958 378	-	-	-	7 958 378
Advances	-	-	790 340 120	-	790 340 120
Other assets	-	-	18 351 278	-	18 351 278
Investments	-	2 452 858	-	-	2 452 858
<b>Total</b>	<b>7 958 378</b>	<b>2 452 858</b>	<b>951 145 254</b>	<b>-</b>	<b>961 556 490</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	829 896 724	829 896 724
Other liabilities	-	-	-	94 336 878	94 336 878
Current tax payable	-	-	-	5 241 028	5 241 028
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>929 474 630</b>	<b>929 474 630</b>

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>25. FUNDS UNDER MANAGEMENT</b>		
Pensions	90 399 455	71 091 528
Private	11 208 428	11 842 171
Unit trust	1 574 283	1 162 372
Money market	7 918 821	4 092 431
	<b>111 100 987</b>	<b>88 188 502</b>

## 26. OPERATING SEGMENTS

### The Group is comprised of the following operating units:

CBZ Bank Limited	Provides commercial banking and mortgage finance products through retail banking, corporate and merchant banking and investment portfolios through the treasury function.
CBZ Asset Management (Private) Limited	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
CBZ Insurance (Private) Limited	Provides short term insurance.
CBZ Properties (Private) Limited	Property investment arm of the business.
CBZ Life (Private) Limited	Provides long term life insurance.

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2012:-

### 26.1 Segment operational results

31 DECEMBER 2012	Commercial Banking US\$	Mortgage finance management US\$	Asset management US\$	Insurance US\$	Property Investment US\$	Other operations & consolidation adjustment US\$	Consolidated US\$
<b>Income</b>							
Income from customers	117 928 150	18 724 227	1 434 948	5 231 622	1 730 357	21 091 510 (22 006 683)	166 140 814 (22 006 683)
Elimination of Inter segment revenue	-	-	-	-	-	-	-
Total Income							<b>144 134 131</b>
Depreciation and amortisation	3 542 186	1 459 770	68 255	156 736	-	297 891	<b>5 524 838</b>
<b>Results</b>							
Profit / (loss) before taxation	42 316 993	11 311 694	(215 941)	1 897 445	1 687 800	20 564 314 (22 006 683)	77 562 305 (22 006 683)
Elimination of inter segment profit	-	-	-	-	-	-	-
Profit before taxation							55 555 622
<b>Other material non cash items</b>							
Impairment of assets (incl loan loss provision)	4 242 173	376 000	-	14 273	-	-	4 632 446
Reportable segment liabilities	1 019 818 563	86 427 121	1 169 122	7 831 252	1 480 416	(54 310 482)	<b>1 062 415 992</b>

### 31 DECEMBER 2011

	Commercial Banking US\$	Mortgage finance management US\$	Asset management US\$	Insurance US\$	Property Investment US\$	Other operations & consolidation adjustment US\$	Consolidated US\$
<b>Income</b>							
Income from customers	105 784 065	14 422 983	1 134 962	3 347 125	1 394 916	2 597 858 (5 590 803)	128 681 909 (5 590 803)
Elimination of Inter segment revenue	-	-	-	-	-	-	-
Total Income							<b>123 091 106</b>
Depreciation and amortisation	2 333 328	1 177 465	64 327	131 297	-	299 564	<b>4 005 981</b>
<b>Results</b>							
Profit / (loss) before taxation	33 369 113	7 682 912	(238 536)	558 247	1 358 811	1 066 449 (5 590 803)	43 796 996 (5 590 803)
Elimination of inter segment profit	-	-	-	-	-	-	-
Profit before taxation	-	-	-	-	-	-	38 206 193
<b>Other material non cash items</b>							
Impairment of assets (incl loan loss provision)	13 721 785	729 579	-	(14 290)	-	-	14 437 074
Reportable segment liabilities	903 500 078	74 754 011	1 191 619	4 952 185	2 261 344	(50 211 083)	<b>936 448 154</b>

### 26.2 Total segment assets

	31 Dec 2012 US\$	31 Dec 2011 US\$
Commercial Banking	1 115 110 169	981 767 058
Mortgage financing	133 744 951	108 746 772
Asset Management	2 306 100	2 097 576
Insurance	11 706 116	7 066 503
Property Investment	9 957 383	12 840 313
<b>Total Segment Assets</b>	<b>1 272 824 719</b>	<b>1 112 518 222</b>
Other operations (inc consolidation journals)	(49 731 492)	(56 820 726)
<b>Total Segment Assets</b>	<b>1 223 093 227</b>	<b>1 055 697 496</b>

## 27. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with external imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, retain capital or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

## 28. CONTINGENCIES AND COMMITMENTS

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>Contingent liabilities</b>		
Guarantees	23 220 366	8 518 322
	<b>23 220 366</b>	<b>8 518 322</b>
<b>Capital commitments</b>		
Authorised and contracted for	282 102	2 910 570
Authorised but not contracted for	-	-
	<b>282 102</b>	<b>2 910 570</b>

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

## 29. EMPLOYEE BENEFITS

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

### Short term benefits

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

### Post employment benefits

- The Group and employees contribute towards the National Social Security Authority, a defined contribution fund. Costs applicable to this scheme are determined by the systematic recognition of legislated contributions.
- The Group operates a defined contribution scheme, the assets of which are held in a separate trustee administered fund. The costs are charged to the statement of comprehensive income as incurred.

	31 Dec 2012 US\$	31 Dec 2011 US\$
NSSA contributions	353 960	342 500
Defined contribution scheme	1 428 872	1 267 918
	<b>1 782 832</b>	<b>1 610 418</b>

## 30. CLOSING EXCHANGE RATES

	31 Dec 2012 US\$	31 Dec 2011 US\$
ZAR	8.48	8.17
GBP	1.62	1.54
EUR	1.32	1.29







# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

32 RISK MANAGEMENT (continued)

DECEMBER 2012	Neither past due nor impaired				Total US\$
	*Normal grade US\$	*Special mention grade US\$	*Sub- standard grade US\$	*Doubtful and loss grade US\$	
Due from banks	655 015	-	-	-	655 015
<b>Loans and Advances to Customers</b>					
Agriculture	205 106 497	45 540 772	8 094 884	7 725 034	266 467 187
Manufacturing	136 882 592	5 876 761	6 785 432	3 976 502	153 521 287
Commercial	105 367 132	3 949 359	2 578 387	59 250	111 954 128
Individual and Households	90 848 606	2 692 997	835 572	5 526	94 382 701
Mining	7 928 034	3 709 321	1 925 097	-	13 562 452
Distribution	186 123 375	21 322 683	8 733 282	172 631	216 351 971
Construction	4 492 674	201	114 479	-	4 607 354
Transport	20 651 966	76 929	855 619	-	21 584 514
Communication	6 636 850	-	-	-	6 636 850
Financial services	421 730	-	-	-	421 730
<b>Total</b>	<b>765 114 471</b>	<b>83 169 023</b>	<b>29 922 752</b>	<b>11 938 943</b>	<b>890 145 189</b>

The Group has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Group, assuming all guarantees are called on, is \$23 220 366.

DECEMBER 2011	Neither past due nor impaired				Total US\$
	*Normal grade US\$	*Special mention grade US\$	*Sub- standard grade US\$	*Doubtful and loss grade US\$	
Due from banks	610 683	-	-	-	610 683
<b>Loans and Advances to Customers</b>					
Agriculture	184 616 457	39 270 789	2 336 660	7 243 848	233 467 754
Manufacturing	102 684 603	6 621	4 845 897	7 308 229	114 845 350
Commercial	103 115 734	433 531	4 010 005	66 030	107 625 300
Individual and Households	91 760 933	564 975	223 620	334 913	92 884 441
Mining	5 614 526	-	1 594 912	-	7 209 438
Distribution	171 724 418	1 114 490	10 205 731	1 822 433	184 867 072
Construction	12 576 826	61 784	8 030 633	-	20 669 243
Transport	31 244 172	13 169 695	-	-	44 413 867
Communication	5 014 143	-	-	-	5 014 143
Financial services	399 999	-	-	-	399 999
<b>Total</b>	<b>709 362 494</b>	<b>54 621 885</b>	<b>31 247 458</b>	<b>16 775 453</b>	<b>812 007 290</b>

The Group has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Group, assuming all guarantees are called on, is \$8.3 million.

Allowances for impairment

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

Write-offs

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

Concentration of credit risk

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

32.3.1 Credit quality definitions

Normal grade

If the asset in question is fully protected by the paying capacity of the obligor, is performing in accordance with contractual terms and is expected to continue to do so.

Special mention grade

- (i) if the asset in question is past due for more than 30 days but less than 90 days; or
- (ii) although currently protected, exhibits potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the institution's position at some future date, for example, where:
  - the asset in question cannot be properly supervised due to an inadequate loan agreement; or
- the condition or control of the collateral for the asset in question is deteriorating; or
- the repayment capacity of the obligor is jeopardised because of deteriorating economic conditions or adverse trends in the obligor's financial position; or
- there is an unreasonably long absence of current and satisfactory financial information or inadequate collateral documentation in regard to the asset:

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

Substandard grade

- (i) if the asset in question is past due for more than 90 days but less than 180 days; or
- (ii) is a renegotiated loan, unless all past due interest is paid by the borrower in cash at the time of renegotiation and a sustained record of timely repayment of principal and interest under a realistic repayment programme has been demonstrated for a period of not less than 180 days; or
- (iii) whether or not it is past due, is inadequately protected by the current sound worth and paying capacity of the obligor by reason of the fact that:
  - the primary source of repayment is insufficient to service the debt and the institution must look to secondary sources such as collateral, sale of fixed assets, refinancing or additional capital injections for repayment; or
- there is an unduly long absence of current and satisfactory financial information or inadequate collateral documentation in regard to the asset; or
- generally, there is more than a normal degree of risk attaching to the asset due to the borrower's unsatisfactory financial condition.

Doubtful:

- (i) if the asset in question is past due for more than 180 days but less than 360 days; or
  - (ii) exhibits all the weaknesses of a substandard asset and, in addition, is not well-secured by reason of the fact that collection in full, on the basis of currently existing facts, is highly improbable, but the actual amount of the loss is indeterminable due to pending events that have a more than reasonable prospect of mitigating the loss, such as a proposed merger, acquisition or liquidation, a capital injection, perfecting liens on additional collateral, refinancing plans, new projects or asset disposal.
- Loss:**
- (i) if the asset in question is past due for more than 360 days, unless such asset is well secured and legal action has actually commenced which is expected to result in the timely realisation of the collateral or enforcement of any guarantee relating to the asset;
  - (ii) had been characterised as doubtful on account of any pending event , and the event concerned did not occur within 360 days, whether or not the event is still pending thereafter; or
  - (iii) is otherwise considered uncollectible or of such little value that its continuance as an asset is not warranted.

32.4 MARKET RISK

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

32.4.1 Group market risks management framework

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

32.5 LIQUIDITY RISK

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

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

Funding risk on the other hand is the risk that the Group will not be able to efficiently meet both its expected as well as the unexpected current and future cash flow needs without affecting the financial condition of the Group.

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

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

32.5.1 GAP ANALYSIS

LIQUIDITY PROFILE AS AT 31 DECEMBER 2012

	Demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Above 5 years US\$	Total US\$
<b>Assets</b>						
Advances	488 726 450	22 299 913	74 406 430	169 986 402	99 270 788	854 689 983
Balances with banks and cash	96 839 402	83 347 108	-	-	-	180 186 510
Investment in equities	1 723 718	-	256 769	-	200 770	2 181 257
Money market assets	9 773 025	14 213 170	803 414	106 812	-	24 896 421
Financial guarantees	-	-	-	196 279	-	196 279
Other assets	235 516	11 926 230	3 484 538	-	-	15 646 284
<b>Total</b>	<b>597 298 111</b>	<b>131 786 421</b>	<b>78 951 151</b>	<b>170 289 493</b>	<b>99 471 558</b>	<b>1 077 796 734</b>
<b>Liabilities</b>						
Deposits	643 962 477	159 132 448	85 851 088	125 737 783	17 668 279	1 032 352 075
Current tax payable	(724)	5 029 692	-	-	(15 800)	5 013 168
Other liabilities	-	4 647 128	11 042 699	330 000	-	16 019 797
Financial guarantees	-	-	-	23 220 366	-	23 220 366
<b>Total</b>	<b>643 961 753</b>	<b>168 809 268</b>	<b>96 893 787</b>	<b>149 288 149</b>	<b>17 652 479</b>	<b>1 076 605 406</b>
Liquidity gap	(46 663 642)	(37 022 847)	(17 942 636)	21 001 344	81 819 079	1 191 328
<b>Cumulative liquidity gap</b>	<b>(46 663 642)</b>	<b>(83 686 489)</b>	<b>(101 629 125)</b>	<b>(80 627 781)</b>	<b>1 191 328</b>	<b>1 191 328</b>

LIQUIDITY PROFILE AS AT 31 DECEMBER 2011

	Demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Above 5 years US\$	Total US\$
<b>Assets</b>						
Advances	417 646 993	28 428 127	78 056 700	226 932 346	39 275 954	790 340 120
Balances with banks and cash	58 789 018	83 664 838	-	-	-	142 453 856
Investment in equities	-	-	-	-	2 452 858	2 452 858
Money market assets	-	7 430 012	508 031	20 335	-	7 958 378
Financial guarantees	-	-	-	8 518 322	-	8 518 322
<b>Total</b>	<b>476 436 011</b>	<b>119 522 977</b>	<b>78 564 731</b>	<b>235 471 003</b>	<b>41 728 812</b>	<b>951 723 534</b>
<b>Liabilities</b>						
Deposits	550 445 283	99 207 182	74 200 453	106 043 806	-	829 896 724
Current tax payable	-	5 241 028	-	-	-	5 241 028
Other liabilities	-	-	94 336 878	-	-	94 336 878
Financial guarantees	-	-	-	8 518 322	-	8 518 322
<b>Total</b>	<b>550 445 283</b>	<b>104 448 210</b>	<b>168 537 331</b>	<b>114 562 128</b>	<b>-</b>	<b>937 992 952</b>
Liquidity gap	(74 009 272)	15 074 767	(89 972 600)	120 908 875	41 728 812	13 730 582
<b>Cumulative liquidity gap</b>	<b>(74 009 272)</b>	<b>(58 934 505)</b>	<b>(148 907 105)</b>	<b>(27 998 230)</b>	<b>13 730 582</b>	<b>13 730 582</b>

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

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

Details of the liquidity ratio for the relevant Group SBU's as at the reporting date and during the reporting period were as follows:

	CBZ Bank Limited	CBZ Building Society
	%	%
At 31 December 2011	25.99	10.15
At 31 December 2012	33.09	14.23
Average for the period	29.79	12.07
Maximum for the period	33.63	14.26
Minimum for the period	22.48	9.65

32.5.2 Interest rate risk

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

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



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For The Year Ended 31 December 2012

32. RISK MANAGEMENT (continued)

32.5.2 Market Related Risk (continued)

INTEREST RATE REPRICING

31 December 2012

	Demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Above 5 years US\$	Non- interest bearing US\$	Total US\$
<b>Assets</b>							
Balance with banks and cash	96 839 402	83 347 108	-	-	-	-	180 186 510
Money market assets	9 773 025	14 213 170	803 414	106 812	-	-	24 896 421
Advances	488 726 450	22 299 913	74 406 430	169 986 402	99 270 788	-	854 689 983
Insurance assets	-	-	-	-	-	4 706 525	4 706 525
Other assets	235 516	7 405 492	-	-	-	44 576 851	52 217 859
Investment in equities	-	-	-	-	-	2 181 257	2 181 257
Investment properties	-	-	-	-	-	20 335 977	20 335 977
Property and equipment	-	-	-	-	-	74 248 554	74 248 554
Deferred taxation	-	-	-	-	-	2 090 819	2 090 819
Intangible assets	-	-	-	-	-	7 539 322	7 539 322
<b>Total Assets</b>	<b>595 574 393</b>	<b>127 265 683</b>	<b>75 209 844</b>	<b>170 093 214</b>	<b>99 270 788</b>	<b>155 679 305</b>	<b>1 223 093 227</b>
<b>Liabilities and Equity</b>							
Deposits	643 962 477	159 132 448	85 851 088	125 737 783	17 668 279	-	1 032 352 075
Insurance liabilities	-	-	-	-	-	6 647 107	6 647 107
Other liabilities	-	-	-	-	-	16 019 797	16 019 797
Deferred taxation	-	-	-	-	-	5 013 168	5 013 168
Current tax payable	-	2 400 369	-	-	-	(16 524)	2 383 845
Equity and reserves	-	-	-	-	-	160 677 235	160 677 235
<b>Total Equity and Liabilities</b>	<b>643 962 477</b>	<b>161 532 817</b>	<b>85 851 088</b>	<b>125 737 783</b>	<b>17 668 279</b>	<b>188 340 783</b>	<b>1 223 093 227</b>

Interest rate repricing gap (48 388 084) (34 267 134) (10 641 244) 44 355 431 81 602 509 (32 661 478) -

**Cumulative gap (48 388 084) (82 655 218) (93 296 462) (48 941 031) 32 661 478 -**

31 December 2011

	Demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Above 5 years US\$	Non- interest bearing US\$	Total US\$
<b>Assets</b>							
Balance with banks and cash	58 789 018	83 664 838	-	-	-	-	142 453 856
Money market assets	-	7 430 012	508 031	20 335	-	-	7 958 378
Advances	417 646 993	28 428 126	78 056 700	226 932 346	39 275 955	-	790 340 120
Insurance assets	-	-	-	-	-	1 521 203	1 521 203
Other assets	-	-	-	-	-	18 351 278	18 351 278
Investment in equities	-	-	-	-	-	2 452 858	2 452 858
Investment properties	-	-	-	-	-	17 821 110	17 821 110
Property and equipment	-	-	-	-	-	66 501 576	66 501 576
Deferred taxation	-	-	-	-	-	5 759 724	5 759 724
Intangible assets	-	-	-	-	-	2 537 393	2 537 393
<b>Total Assets</b>	<b>476 436 011</b>	<b>119 522 976</b>	<b>78 564 731</b>	<b>226 952 681</b>	<b>39 275 955</b>	<b>114 945 142</b>	<b>1 055 697 496</b>
<b>Liabilities and Equity</b>							
Deposits	550 445 283	99 207 182	74 200 453	106 043 806	-	-	829 896 724
Insurance liabilities	-	-	-	-	-	3 874 334	3 874 334
Other liabilities	-	-	-	-	-	94 336 878	94 336 878
Deferred taxation	-	-	-	-	-	3 099 190	3 099 190
Current tax payable	-	-	-	-	-	5 241 028	5 241 028
Equity and reserves	-	-	-	-	-	119 249 342	119 249 342
<b>Total Equity and Liabilities</b>	<b>550 445 283</b>	<b>99 207 182</b>	<b>74 200 453</b>	<b>106 043 806</b>	<b>-</b>	<b>225 800 772</b>	<b>1 055 697 496</b>

Interest rate repricing gap (74 009 272) 20 315 794 4 364 278 120 908 875 39 275 955 (110 855 630) -

**Cumulative gap (74 009 272) (53 693 478) (49 329 200) 71 579 675 110 855 630 -**

32.6 EXCHANGE RATE RISK

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

There is oversight at Board level through the Board Risk Management Committee which covers ALCO processes by way of strategic policy and benchmarking reviews and approval. Management ALCO which is held on a monthly basis reviews performance against set benchmarks embedded under acceptable currencies, currency positions as well as stop loss limits. Derivative contracts with characteristics and values derived from underlying financial instruments, exchange rates which relates to futures, forwards, swaps and options can be used to mitigate exchange risk. The Group had no exposure to derivative transactions under the reporting period.

At 31 December 2012, if foreign exchange rates at that date had weakened or strengthened by 5 percentage points with all other variables held constant, post tax profit for the period would have been US\$677 431 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Bank as at 31 December 2012 is as below:

Foreign currency position as at 31 December 2012

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	180 186 510	158 103 460	16 858 548	2 597 105	2 627 397
Money market assets	24 896 421	11 731 755	6 339 123	2 161 870	4 663 673
Advances	854 689 983	853 806 685	1 241 611	257 029	(615 342)
Insurance assets	4 706 525	4 706 525	-	-	-
Other Assets	52 217 859	50 825 225	1 291 389	53 945	47 300
Investment in equities	2 181 257	2 037 614	-	-	143 643
Investment properties	20 335 977	20 335 977	-	-	-
Property and equipment	74 248 554	74 159 315	13 130	-	76 109
Deferred taxation	7 539 322	7 539 322	-	-	-
Intangible assets	2 090 819	2 090 819	-	-	-
<b>Total Assets</b>	<b>1 223 093 227</b>	<b>1 185 336 697</b>	<b>25 743 801</b>	<b>5 069 949</b>	<b>6 942 780</b>
<b>Liabilities and Equity</b>					
Deposits	1 032 352 075	994 388 628	29 870 209	6 082 124	2 011 114
Insurance liabilities	6 647 107	6 647 107	-	-	-
Other liabilities	16 019 797	2 767 325	6 339 299	2 241 959	4 671 214
Current tax payable	5 013 168	5 013 168	-	-	-
Deferred taxation	2 383 845	2 383 845	-	-	-
Equity and reserves	160 677 235	160 677 235	-	-	-
<b>Total Equity and Liabilities</b>	<b>1 223 093 227</b>	<b>1 171 877 308</b>	<b>36 209 508</b>	<b>8 324 083</b>	<b>6 682 328</b>

32.6 EXCHANGE RATE RISK (continued)

Foreign currency position as at 31 December 2011

Position expressed in US\$

	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	142 453 856	118 764 861	17 690 720	2 133 955	3 864 320
Money market assets	7 958 378	7 958 378	-	-	-
Advances	790 340 120	788 211 901	319 898	1 614 925	193 396
Insurance assets	1 521 203	1 521 203	-	-	-
Other assets	18 351 278	18 062 344	256 374	33 150	(590)
Investment in equities	2 452 858	2 348 137	-	-	104 721
Investment properties	17 821 110	17 821 110	-	-	-
Property and equipment	66 501 576	66 418 597	6 869	-	76 110
Deferred taxation	5 759 724	5 759 724	-	-	-
Intangible assets	2 537 393	2 537 393	-	-	-
<b>Total assets</b>	<b>1 055 697 496</b>	<b>1 029 403 648</b>	<b>18 273 861</b>	<b>3 782 030</b>	<b>4 237 957</b>
<b>Liabilities and Equity</b>					
Deposits	829 896 724	785 825 106	21 220 767	3 937 266	18 913 585
Insurance liabilities	3 874 334	3 874 334	-	-	-
Other liabilities	94 336 878	84 000 809	4 019 595	1 773 223	4 543 251
Current tax payable	5 241 028	5 241 028	-	-	-
Deferred taxation	3 099 190	3 099 190	-	-	-
Equity and reserves	119 249 342	119 249 342	-	-	-
<b>Total equity and liabilities</b>	<b>1 055 697 496</b>	<b>1 001 289 809</b>	<b>25 240 362</b>	<b>5 710 489</b>	<b>23 456 836</b>

Foreign currency position as at 31 December 2012

Underlying currency in US\$

	ZAR	GBP	Other foreign currencies
<b>Assets</b>			
Cash and short term assets	142 904 856	1 607 318	2 627 397
Advances	10 524 763	159 073	(615 342)
Money market assets	51 812 191	-	4 663 674
Other assets	10 946 709	33 386	47 300
Investments	-	-	143 643
<b>Total assets</b>	<b>216 188 519</b>	<b>1 799 777</b>	<b>6 866 672</b>
<b>Liabilities</b>			
Deposits	253 200 801	3 764 156	2 011 115
Other liabilities	53 736 339	1 387 523	4 671 213
<b>Total liabilities</b>	<b>306 937 140</b>	<b>5 151 679</b>	<b>6 682 328</b>
<b>Net position</b>	<b>(90 748 621)</b>	<b>(3 351 902)</b>	<b>184 344</b>

Foreign Currency Position as at 31 December 2011

Underlying currency in US\$

	ZAR	GBP	Other foreign currencies
<b>Assets</b>			
Cash and short term assets	144 593 328	1 384 067	3 864 320
Advances	2 614 652	1 047 428	193 396
Other assets	2 095 446	21 501	(588)
Investments	-	-	104 721
<b>Total assets</b>	<b>149 303 426</b>	<b>2 452 996</b>	<b>4 161 849</b>
<b>Liabilities</b>			
Deposits	173 445 814	2 553 682	18 913 585
Other liabilities	32 853 755	1 150 099	4 543 251
<b>Total liabilities</b>	<b>206 299 569</b>	<b>3 703 781</b>	<b>23 456 836</b>
<b>Net position</b>	<b>(56 996 143)</b>	<b>(1 250 785)</b>	<b>(19 294 987)</b>

32.7 OPERATIONAL RISK

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

32.7.1 Operational risk management framework

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

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

32.8 STRATEGIC RISK

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

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

32.9 REGULATORY RISK

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

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

32.10 REPUTATION RISK

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

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

32.11 MONEY-LAUNDERING RISK

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

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



# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

### 32.12 INSURANCE RISK

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

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

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

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

CBZ Group

Risk Matrix Summary

Type of risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Moderate	Acceptable	Moderate	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance Risk	Low	Acceptable	Low	Stable
Reputation Risk	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

CBZ Bank Limited

Risk Matrix Summary

Type of risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit Risk	Moderate	Acceptable	Moderate	Stable
Liquidity Risk	Moderate	Acceptable	Moderate	Stable
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable
Foreign Exchange Risk	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance Risk	Low	Acceptable	Low	Stable
Reputation Risk	Moderate	Acceptable	Moderate	Stable
Overall	Moderate	Acceptable	Moderate	Stable

CBZ Asset Management

Risk Matrix Summary

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

Key

Level of inherent risk

Low- reflects a lower than average probability of an adverse impact on 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 banking institution.

Adequacy of Risk Management Systems

Weak- risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written down policies and procedures.

Acceptable- management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been 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 financial institution's risk tolerance, responsibilities are effectively communicated.

Overall Composite Risk

Low Risk- would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.

Moderate Risk- risk management effectively identifies and controls all types of risk posed by the relevant functional 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 organisation.

High Risk- 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 financial institution's overall condition, even in some cases where the systems are considered strong.

Direction of Overall Composite

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

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

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

### 32.13 RISK AND CREDIT RATINGS

#### 32.13.1 External Credit Rating

##### CBZ Bank Limited

Rating agent	2012	2011	2009	2008	2007	2006	2005
Global Credit Rating (Short Term)	-	-	-	-	-	-	-
Global Credit Rating (Long Term)	A+	A+	A	A	A	A	A

#### 32.13.2 Reserve Bank Ratings

##### CAMELS RATING MATRIX

	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank	1	1	2	1	1	2	2
CBZ Holdings Group	2	2	2	-	2	2	2

##### Key

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

### 33. CORPORATE GOVERNANCE STATEMENT

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

#### 33.1 Disclosure policy

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

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

#### 33.2 Code of conduct

The Group is committed to the highest ethical standards of business conduct and to fully complying with all applicable laws and regulations.

The Directors and employees of the Group are all expected to comply with the principles of the code of conduct. There was close monitoring of both Directors and employees in this regard and cases of non-compliance received appropriate disciplinary action which was enforced with consistency.

#### 33.3 Financial reporting

The Directors are responsible for ensuring that the Group maintains adequate records, and for reporting on the financial position of the Group and the results of the activities with accuracy and reliability. Financial reporting procedures are consistently applied within the Group and all financial and related information is constantly reviewed and remedial action taken, where necessary. Shareholders and the public are regularly kept up to date through the annual report, the consolidated financial statements, as well as the interim financial statements.

#### 33.4 Internal oversight functions

The Board has the overall responsibility for ensuring that the Group maintains a system of internal control, provides the company with reasonable assurance regarding the reliability of the financial information used within the business and for publication, and to ensure that assets are safeguarded.

Internal Oversight Functions in the Group are integrated as follows:

- The Risk Division conducts the overall risk assessment within the Business Units and provides the resulting data in the form of risk matrices to Internal Audit and to the Compliance function to use as a starting point for their analysis.
- Internal audit concentrates on the financial risks highlighted on the risk matrices and on testing processes.
- Compliance assesses the significant regulatory risks highlighted by risk matrices, reviews and documents factors which aggravate the risk, considers the control environment, sets with Business Units the policy on managing that risk and, finally, monitors the risk that in fact ensues.
- The Legal function focuses on the legal risks highlighted by the risk matrices.

Internal oversight functions offer independent objective assurance designed to add value to and improve the Group's operations. They help the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and compliance processes.

#### 33.5 Fraud and illegal acts

The Group does not engage in or condone any illegal acts in the conduct of its business. The Directors' policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities.

#### 33.6 The role of the Board of Directors

The strategic leadership of the company is the responsibility of the Board.

The Board actively embraces its responsibilities and brings its collective skills and experiences in providing independent, objective and thoughtful oversight and guidance to the Group.

The Group has an active and engaged Board, which shapes and executes successful strategies. The Board contributes to organisational performance through fulfilling the following four major responsibilities;

- The Board approves the strategic direction of the Group. Such approval sets the organization in motion. Consequently, Directors are knowledgeable about the central business issues and non-financial factors that drive the business so that they can be able to identify winning strategies from risky or problematic ones. The Group has put in place systems and procedures to ensure that, Directors are aware of the key issues and drivers of the business;
- The Board ensures that resources are used effectively to achieve the strategy hence it oversees the financial actions of the Group. It sets fiscal policy and approves large capital expenditures. The Group has systems and structures in place to ensure that, once a strategic expenditure is approved, Directors obtain sufficient feedback on whether the expenditure generated the desired benefits;
- The Board approves the hiring of senior executives, assesses their performance and rewards them appropriately. The Directors are also actively involved in succession planning; and
- The Board is a watchdog for uncompensated risk and a guardian for compliance. Directors receive sufficient information to effectively address key compliance issues and business risks that can prevent the Group from achieving its strategic targets.

#### 33.7 The role of the Board in Risk Management

The Board identifies and monitors key risk areas, key performance areas and non financial aspects relevant to the Group. To ensure that this role is executed efficiently, the Board:

- has a general understanding of the types of risks to which the Group may be exposed and of the techniques used to measure and manage those risks;
- reviews and approves the overall risk philosophy and risk tolerance of the Group. Systems and procedures are in place to ensure that the Board is aware of material changes to the Group's business strategies or risk tolerance levels and the limits within which individuals are authorized to act;
- reviews and approves significant policies or changes in policies for accepting, monitoring, managing and reporting on the significant risks to which the Group is exposed;
- monitors and ensures that management have a suitable and acceptable process for determining the Group's desired level of capital, taking into account risks assumed, and ensuring that capital management strategies are in place;
- requires from management timely and accurate reporting on significant risks faced by the institution, the procedures and controls in place to manage these risks, and the overall effectiveness of risk management processes.
- assures itself that the risk management functions of the Group, have sufficient independence, status and visibility and are subject to periodic reviews; and
- includes in its reviews of changes in strategies or new business initiatives, a review of requisite or related changes in risk management and controls.

#### 33.8 The role of the Board with regard to internal control mechanisms

The Board of Directors is ultimately responsible for ensuring that a sound system of internal controls is established and maintained. As part of this responsibility, the Board regularly, reviews the system of internal controls to determine that it works as expected and that it remains appropriate. Internal controls focus on critical risk areas and are based on policies and procedures. Adequate segregation of duties are in place to enhance the effectiveness of these controls.

Useful inputs into internal control reviews include:

- management reports on the operations and financial condition of the Group, the performance of risk management and other control systems during the period under review and any significant non-compliance with controls, the Group's code of conduct, laws and regulations;
- internal and external audit opinions on the adequacy of controls for the Group as a whole and for individual business entities, and recommendations for improvements; liabilities, on the current and prospective position of the Group, and on matters that might have a material adverse impact on its financial condition;
- the audit report on the audited financial statements, including the auditor's management letter;
- views, solicited by the Board, from the Group's external and internal auditors and legal counsel; and
- The views and observations of the regulators on the Group.

#### 33.9 The role of the Board in regard to independent oversight functions

To assure itself that the independent oversight functions are in a position to support it, the Board:

- actively exercises its responsibility for recommending to shareholders a suitable nominee for appointment as external auditor;
- takes an active interest in the selection of heads of internal oversight functions;
- reviews the mandates, structures and scope of the proposed activities of the internal control functions, and approves any major changes thereto.
- requires that those who are responsible for fulfilling these functions are independent from the operations under review and free of influences that may affect their ability to perform their responsibilities objectively;
- requires that the internal oversight providers and the external auditor have unrestricted access to the Board;
- satisfies itself that those who are responsible for fulfilling these functions have the resources and authority required to perform their duties appropriately and receive support from senior management;
- satisfies itself that the remuneration provided to key individuals in these functions adequately reflects the importance of the function and that the incentives contained in these remuneration packages for the function are not inconsistent with its role and responsibilities;
- discusses key findings of the reports produced by these functions, understands how material disagreements are dealt with, and follow-up on any concerns raised by these functions; and
- regularly reviews the nature of the function being carried out as well as the effectiveness and independence of those fulfilling these functions.



*For The Year Ended 31 December 2012*

The Banking, Building Society and Asset Management subsidiaries are subject to regulation by the Reserve Bank of Zimbabwe and the Registrar of Banks and financial institutions where appropriate, the Group participates in industry consultative committees and discussion groups aimed at enhancing the business environment.

The Board has a balanced mix of Executive, Non-Executive and Independent Non-Executive Directors. The roles of Chairperson of the Board and Chief Executive Officer are separated and held by different persons.

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

The Board has overall responsibility for the affairs of the Group, however subsidiary Boards play an important role in the governance of the Group. The Company has created a governance framework between the Group and its subsidiaries that allows Directors access to subsidiary Board documentation.

<b>CBZ Holdings Limited</b>	<b>CBZ Bank Limited</b>	<b>CBZ Life Limited</b>	<b>CBZ Asset Management (Private) Limited</b>	<b>CBZ Insurance (Private) Limited</b>
<p>Mr L. Zembe Mr R V Wilde*** Dr J. P Mangudya Mr. T Bere Mr F. M Dernawi Mr M. H Nanabawa Mr A Lowe Mr M B Ghali Mr D Mutambara Mrs R Nhamo Mr G. Taputaira Mr R Reid* Mr E Mugamu*** Mrs R Pasi*** *Mr N Nyemudzo</p>	<p>Mr R V Wilde Mr S G R Harnden Dr. J P Mangudya Mr P Zimunya Mr N Nyemudzo Dr R M Chimedza Mrs R Pasi Mr E Mugamu Mr F B Chirimuuta Mrs P S Madzonga Mr P S Whata Mr L Zembe*** Mr C Chimutsa</p>	<p>Mr R Dawes Mr F B Zizhou Dr V Masunda Mr D Mutambara*** Dr J P Mangudya Mr N Mureriwa Mr G Mbinga*</p>	<p>C Jones T Muzadzi Mr I H Harris Dr J P Mangudya Dr B Naik Mr R Zirobwa Mr T Bere*** Mr J Smith Mr A Kassim*</p>	<p>Dr J P Mangudya Mr P Mundangepfupu Mr W Muchenje Mrs R Nhamo* Mr A Jakara Mr Mureriwa Mr N Nyemudzo Mr J Whacha** Mrs V Mudimu*</p>
<p>Mr N Makuvise retired from the Board with effect from 1 April 2012</p> <p>Mr R Reid resigned from the Board with effect from 31 August 2012</p> <p>***Mr R V Wilde, Mr E Mugamu and Mrs R Pasi were appointed to the Board with effect from 1 April 2012</p>	<p>Mr N Makuvise retired from the Board with effect from 1 April 2012</p> <p>*** Mr L Zembe was appointed to the Board with effect from 7 April 2012</p>	<p>Mr N Makuvise retired from the Board with effect from 1 April 2012</p> <p>** Mr Mutambara was appointed to the Board with effect from 7 April 2012</p> <p>Mr C Mbinga resigned from the Board with effect from 31 March 2012</p>	<p>** Mr T Bere was appointed to the Board with effect from 15 May 2012</p> <p>*Mr A Kassim resigned from the Board with effect from 1 July 2012</p> <p>Mr N Makuvise retired from the Board with effect from 1 April 2012</p>	<p>*Mrs Nhamo was appointed to the Board with effect from 1 June 2012</p> <p>Mr N Makuvise retired from the Board with effect from 1 April 2012</p> <p>**Mr Whacha passed away on 4 August 2012</p> <p>*Mrs V Mudimu resigned from the Board with effect from 31 May 2012</p>

The Board is authorised by the company's Articles of Association to appoint new directors based on recommendations by the Human Resources and Remuneration Committee. Eligibility for appointment as a director is guided by the Director's Fit and Proper test requirements of the Companies Act [Chapter 240:3] and best practice.

The Group also has in place continuous development programmes that are tailored to the needs of the Directors. Development programmes are arranged for the Board that focus on their duties, responsibilities, powers and potential liabilities as well as governance and the financial services industry.

The Board's succession planning process encompasses an evaluation of the skills, knowledge and experience required to implement the Group's business plans and strategy, as well as the need to transform the board and ensure greater diversity.

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

Board meetings are conducted in a manner that encourages open communication, active participation and timely resolution of issues. Sufficient time is provided during Board meetings for thoughtful discussions. Board meetings are facilitated, but not over-influenced by the Chairperson.

Board meetings provide Directors with opportunities to share their knowledge, discuss strategic trade-offs and lend decision making support.

	Audit & Finance	Risk Management & Compliance	Human Resources & Remuneration	It & Business Development	Main Board
Mr T. Bere, T	1	3	2	**	4
Mr M.I.O. Ben Ghali	1	3	**	3	5
Mr F.M. Dernawi	**	3	**	2	5
Mr A. Lowe	3	3	**	**	4
Mr E. Mugamu, E	3	**	**	**	3
Mr D. Mutambara	2	**	2	2	4
Mr M.H. Nanabawa	4	**	**	**	5
Mrs R. Nhamo	1	4	4	**	5
Mrs R. Pasi	3	3	**	**	3
Mr R.J. Reid	1	1	**	1	2
Mr G. Taputaira	1	**	**	3	5
Mr R.V Wilde	**	**	3	**	3
Mr L. Zembe	**	**	4	3	6
* (Dr) J.P. Mangudya	3	4	4	3	6
* Mr N. Nyemudzo	4	3	**	3	6

\* Executive Directors  
\*\* Not a Member

Committee	Number of Meetings Held
Audit & Finance	4
Risk Management & Compliance	5
Human Resources & Remuneration	4
IT & Business Development	3
Main Board	6

	ALCO	Lending	Loans Review	Main Board
R V Wilde	1	2	**	4
S G R Harnden	**	**	3	4
*J P Mangudya (Dr)	3	4	4	4
*P Zimunya	3	4	4	4
*N Nyemudzo	3	**	**	4
*C Chimutsa	**	4	4	4
L Zembe	3	**	3	1
R Mabeza-Chimedza (Dr)	3	2	**	4
R Pasi	2	4	**	4
E Mugamu	**	**	3	4
F B Chirimuuta	**	2	1	4
P S Whata	3	**	**	4
P S Madzonga	**	**	3	4

Committee	Number of Meetings Held
Alco	3
Lending	4
Loans Review	4
Main Board	4

	Audit & Investments	Corporate Governance & Human Resources	Main Board
R Dawes	**	1	4
F B Zizhou	1	1	5
V Masunda (Dr)	1	1	4
C Gambia	1	**	2
D Mutambara	**	**	2
J P Mangudya (Dr)	1	1	4
*N Mureriwa	1	1	5

Committee	Number of Meetings Held
Audit & Investments	1
Corporate Governance & Human Resources	1
Main Board	5

	Audit & Compliance	Remuneration & Governance Committee	Investment & Risk Committee	Main Board
A. Kassim	1	**	**	1
B. S. Naik	**	1	4	4
C. T. Jones	2	**	4	4
I. H. Harris	2	**	4	4
J. P. Mangudya (Dr)	**	1	4	4
R. Zirobwa	**	1	**	4
T. Bere	**	**	**	3
*J. F. Smith	2	1	4	4
*T. Muzadzi	**	**	4	4

Committee	Number of Meetings Held
Audit and Compliance	2
Remuneration and Governance	1
Investment and Risk	4
Main Board	4

	Main Board
Mundangepfupfu P.	3
Muchenje W.	4
Whacha J. *	2
Mudimu V.	2
Nyemudzo N.*	4
Mangudya J.P. (Dr)*	2
Nhamo R.	2
Mureriwa N. *	1

Committee	Number of Meetings Held
Main Board	4

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

As at 31 December 2012 the Group was not involved in any material litigation, dispute or arbitration proceedings which may have had a significant impact on its financial position.

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



# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	31 Dec 2012 US\$	31 Dec 2011 US\$
Interest income	2	146 802 718	104 748 645
Interest expense	2	(60 638 604)	(34 117 985)
<b>Net interest income</b>		<b>86 164 114</b>	<b>70 630 660</b>
Non-interest income	3	31 764 037	35 153 405
<b>Total income</b>		<b>117 928 151</b>	<b>105 784 065</b>
Operating expenditure	4	(71 368 984)	(58 693 167)
<b>Operating income</b>		<b>46 559 167</b>	<b>47 090 898</b>
Charge for impairment	10.5	(4 242 173)	(13 721 785)
<b>Profit before taxation</b>		<b>42 316 994</b>	<b>33 369 113</b>
Taxation	5	(11 272 783)	(8 670 748)
<b>Profit for the year after taxation</b>		<b>31 044 211</b>	<b>24 698 365</b>
<b>Other comprehensive income</b>			
Gains on property revaluations		2 467 273	1 550 320
Fair value adjustment on available-for-sale (AFS) financial instruments		643 003	(234 166)
Income tax relating to components of other comprehensive income	5.1	(549 491)	(384 338)
Other comprehensive income for the year net of taxation		2 560 785	931 816
<b>Total comprehensive income for the year</b>		<b>33 604 996</b>	<b>25 630 181</b>
<b>Profit for the year attributable to:</b>			
Equity holders of parent		<b>31 044 211</b>	24 698 365
		<b>31 044 211</b>	<b>24 698 365</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of parent		<b>33 604 996</b>	<b>25 630 181</b>
		<b>33 604 996</b>	<b>25 630 181</b>
<b>Earnings per share (cents):</b>			
Basic	6	6.07	4.83
Fully diluted	6	6.07	4.83
Headline	6	6.11	4.82

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>ASSETS</b>			
Balances with banks and cash	8	175 932 794	140 060 364
Money market assets	9	57 004 893	5 050 000
Advances	10	774 152 205	729 508 116
Other assets	11	52 312 287	58 971 404
Investment in equities	12	172 206	263 376
Property and equipment	13	46 698 149	40 677 195
Investment properties	14	2 745 000	2 288 000
Intangible assets	15	1 175 445	1 560 091
Deferred taxation	16	4 917 190	3 388 512
<b>TOTAL ASSETS</b>		<b>1 115 110 169</b>	<b>981 767 058</b>
<b>LIABILITIES</b>			
Deposits	17	1 003 429 254	809 124 335
Other liabilities	18	11 863 027	89 549 418
Current tax payable		4 526 282	4 826 325
<b>TOTAL LIABILITIES</b>		<b>1 019 818 563</b>	<b>903 500 078</b>
<b>EQUITY AND RESERVES</b>			
Share capital	19	5 118 180	5 118 180
Share premium	19.1	11 198 956	11 198 956
Non-distributable reserve	19.2	5 522 755	5 522 755
Revaluation reserve	19.3	8 191 449	6 267 162
Available-for-sale reserve	19.4	-	(636 498)
Revenue reserves	19.5	65 260 266	50 796 425
<b>TOTAL EQUITY &amp; RESERVES</b>		<b>95 291 606</b>	<b>78 266 980</b>
<b>TOTAL LIABILITIES, EQUITY AND RESERVES</b>		<b>1 115 110 169</b>	<b>981 767 058</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital US\$	Share premium US\$	Non-Distributable reserve US\$	Revaluation reserve US\$	Available for sale reserve US\$	Revenue reserve US\$	Total US\$
<b>2011</b>							
Balance at the beginning of the year	5 118 180	11 198 956	5 522 755	5 102 562	(403 714)	30 098 060	56 636 799
Total comprehensive income	-	-	-	1 164 600	(232 784)	24 698 365	25 630 181
Dividends	-	-	-	-	-	(4 000 000)	(4 000 000)
<b>Balance at 31 December 2011</b>	<b>5 118 180</b>	<b>11 198 956</b>	<b>5 522 755</b>	<b>6 267 162</b>	<b>(636 498)</b>	<b>50 796 425</b>	<b>78 266 980</b>
<b>2012</b>							
Balance at 1 January 2012	5 118 180	11 198 956	5 522 755	6 267 162	(636 498)	50 796 425	78 266 980
Total comprehensive income	-	-	-	1 924 287	636 498	31 044 211	33 604 996
Dividends	-	-	-	-	-	(16 580 370)	(16 580 370)
<b>Balance at 31 December 2012</b>	<b>5 118 180</b>	<b>11 198 956</b>	<b>5 522 755</b>	<b>8 191 449</b>	<b>-</b>	<b>65 260 266</b>	<b>95 291 606</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>42 316 994</b>	<b>33 369 113</b>
Non cash items:		
Depreciation and amortisation	3 542 186	2 333 328
Fair value adjustments	(447 070)	(60 500)
Impairment on advances	4 242 173	13 721 785
Unrealised gain on foreign currency position	(2 991 897)	(2 869 769)
Loss on sale of property and equipment	28 233	24 762
<b>Operating profit before changes in operating assets and liabilities</b>	<b>46 690 619</b>	<b>46 518 719</b>
<b>Changes in operating assets and liabilities</b>		
Deposits	197 296 816	233 987 018
Advances	(48 886 262)	(318 067 489)
Money market assets	(51 954 893)	17 077 634
Other assets	6 659 117	(21 762 715)
Other liabilities	(77 686 391)	78 734 161
	<b>25 428 387</b>	<b>(10 031 391)</b>
Corporate tax paid	(13 650 996)	(11 861 905)
<b>Net cash inflow from operating activities</b>	<b>58 468 010</b>	<b>24 625 423</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment property	(9 930)	-
Net change in investments	734 174	-
Proceeds on disposal of property and equipment	365 488	406 682
Purchase of property and equipment	(6 946 595)	(9 057 471)
Purchase of intangible assets	(158 347)	(1 560 091)
<b>Net cash outflow from investing activities</b>	<b>(6 015 210)</b>	<b>(10 210 880)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(16 580 370)	(4 000 000)
<b>Net cash outflow from financing activities</b>	<b>(16 580 370)</b>	<b>(4 000 000)</b>
Net increase in balances with banks and cash	35 872 430	10 414 543
Balances with banks and cash at the beginning of the year	140 060 364	129 645 821
<b>Balances with banks and cash at end of the year</b>	<b>175 932 794</b>	<b>140 060 364</b>

## NOTES TO THE FINANCIAL RESULTS

For the year ended 31 December 2012

### 1. INCORPORATION AND ACTIVITIES

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

### 2. NET INTEREST INCOME

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>Interest income</b>		
Overdrafts	76 158 477	72 108 272
Loans	46 132 793	28 086 289
Staff loans	2 599 255	2 480 342
	<b>124 890 525</b>	<b>102 674 903</b>
Short-term money market assets	728 026	801 705
Other Investments	21 184 167	1 272 037
	<b>146 802 718</b>	<b>104 748 645</b>
<b>Interest expense</b>		
Savings deposits	4 644 212	6 674 895
Call deposits	68 409	172 536
Money market deposits	39 158 953	17 089 446
Other offshore deposits	16 767 030	10 181 108
	<b>60 638 604</b>	<b>34 117 985</b>

### 3. NON-INTEREST INCOME

Fair value adjustments on investment property	447 070	60 500
Net income from foreign currency dealings	4 119 356	6 032 224
Commission and fee income	20 925 162	20 271 893
Loss on sale of property and equipment	(28 233)	(24 762)
Other operating income	6 300 682	8 813 550
	<b>31 764 037</b>	<b>35 153 405</b>

### 4. OPERATING EXPENDITURE

Staff costs	40 936 172	33 576 507
Administration expenses	26 579 830	22 641 943
Audit fees	310 796	141 389
Depreciation	2 999 193	2 333 328
Amortisation of intangible assets	542 993	-
	<b>71 368 984</b>	<b>58 693 167</b>

### Remuneration of directors and key management personnel

Fees for services as directors	464 628	313 308
Pension for past and present directors	153 360	72 245
Salaries and other benefits	3 936 323	2 175 604
	<b>4 554 311</b>	<b>2 561 157</b>

### Operating Leases

The following is an analysis of expenses related to operating leases  
Non cancellable leases are paid as follows :

Less than 1 year	156 816	55 327
Between 1 and 5 years	1 265 251	977 559
	<b>1 422 067</b>	<b>1 032 886</b>

The Bank leases a number of branches under operating leases. The leases typically run for a period of less than 5 years with an option to renew the lease after the expiry date.

During the year ended 31 December 2012, an amount of US\$922 469 was recognised as rental expense in the statement of comprehensive income.

### 5. TAXATION

Current income tax and deferred tax on temporary differences have been fully provided for. Deferred income tax is calculated using the statement of financial position liability method.

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>Analysis of tax charge in respect of the profit for the year</b>		
Current income tax charge	13 350 953	13 470 560
Deferred income tax	(2 078 170)	(4 799 812)
<b>Income tax expense</b>	<b>11 272 783</b>	<b>8 670 748</b>
<b>Tax rate reconciliation</b>		
	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Permanent differences	0.89	0.23
<b>Effective tax rate</b>	<b>26.64</b>	<b>25.98</b>







# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

14.	INVESTMENT PROPERTIES	31 Dec 2012 US\$	31 Dec 2011 US\$
	Opening balance	2 288 000	2 227 500
	Additions	9 930	-
	Fair valuation gain	447 070	60 500
	<b>Closing balance</b>	<b>2 745 000</b>	<b>2 288 000</b>

The carrying amount of the investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Bank's investment properties. The properties were valued as at 31 December 2012.

The rental income derived from investments properties amounted to US\$4 500, with direct operating expenses amounting to US\$nil.

15	INTANGIBLE ASSETS	31 Dec 2012 US\$	31 Dec 2011 US\$
	<b>Computer software</b>		
	At cost	1 718 438	1 560 091
	Accumulated amortisation	(542 993)	-
	<b>1 175 445</b>	<b>1 560 091</b>	
	Movement in intangible assets:		
	Opening balance	1 560 091	-
	Additions	158 347	1 560 091
	Amortisation charge	(542 993)	-
	<b>Closing balance</b>	<b>1 175 445</b>	<b>1 560 091</b>

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

16	DEFERRED TAXATION	31 Dec 2012 US\$	31 Dec 2011 US\$
	Deferred tax related to items charged or credited to statement of other comprehensive income during the period is as follows:		
	Revaluation of property and equipment	(542 986)	(385 720)
	Fair value adjustment – Available for sale financial assets	(6 505)	1 382
	<b>(549 491)</b>	<b>(384 338)</b>	

The deferred tax included in the statement of financial position and changes recorded in the income tax expenses are as follows:

	<b>Deferred tax liability</b>		
	Fair value adjustments	(22 850)	3 025
	Prepayments	(143 409)	619 837
	Impairment allowance	1 092 359	3 533 358
	Property and equipment	(120 467)	490 172
	Other	1 272 536	153 420
	<b>2 078 169</b>	<b>4 799 812</b>	
	Add:		
	Opening balance	3 388 512	(1 026 962)
	<b>Closing balance</b>	<b>4 917 190</b>	<b>3 388 512</b>

17.	DEPOSITS		
	Call deposits	5 356 014	24 326
	Savings and other deposits	484 462 910	519 863 169
	Money market deposits	332 855 042	162 500 956
	Offshore deposits	171 716 509	121 750 620
	Accrued interest	9 038 779	4 985 264
	<b>1 003 429 254</b>	<b>809 124 335</b>	

17.1	Deposits by source		
	Banks	36 114 207	8 843 127
	Money market	308 364 851	155 668 367
	Customers	485 661 677	521 085 367
	Offshore deposits	173 288 519	123 527 474
	<b>1 003 429 254</b>	<b>809 124 335</b>	

17.2	Deposits by type		
	Retail	43 014 045	39 208 113
	Corporate	442 647 632	481 877 255
	Money market	344 479 058	164 511 493
	Offshore deposits	173 288 519	123 527 474
	<b>1 003 429 254</b>	<b>809 124 335</b>	

17.3.	Sectoral Analysis		%	%
	Private	111 312 920	11	94 399 174 12
	Agriculture	33 069 968	3	26 642 552 4
	Mining	9 986 027	1	8 045 161 1
	Manufacturing	122 452 318	12	98 652 716 12
	Distribution	130 789 472	13	105 369 477 13
	Construction	23 394 093	2	18 847 261 2
	Transport	15 994 662	2	12 885 970 2
	Communication	60 589 459	6	48 813 406 6
	Services	190 277 630	19	153 295 628 19
	Financial organisations	282 952 584	29	213 604 909 25
	Financial and investments	22 610 121	2	28 568 081 4
	<b>1 003 429 254</b>	<b>100</b>	<b>809 124 335</b>	<b>100</b>

	31 Dec 2012 US\$	31 Dec 2011 US\$
17.4	<b>Maturity analysis</b>	
	Repayable on demand	630 194 168
	Between 1 and 3 months	159 130 548
	Between 3 months and 6 months	48 834 228
	Between 6 months and 1 year	35 162 346
	Between 1 year and 5 years	124 723 283
	More than 5 years	5 384 681
	<b>1 003 429 254</b>	<b>809 124 355</b>

Maturity analysis is based on the remaining period from 31 December 2012 to contractual maturity.

18.	OTHER LIABILITIES		
	Revenue received in advance	826 328	17 286 586
	Sundry creditors	10 111 298	7 859 358
	Salaries outward suspense	-	33 997 421
	RTGS suspense	-	28 919 232
	Other	925 401	1 486 821
	<b>11 863 027</b>	<b>89 549 418</b>	

19.	SHARE CAPITAL		
	<b>Authorised</b>		
	600 000 000 ordinary shares of US\$ 0.01each	6 000 000	6 000 000
	<b>Issued and fully paid</b>		
	511 817 951 ordinary shares of US\$ 0.01each	5 118 180	5 118 180

	31 Dec 2012 US\$	31 Dec 2011 US\$
19.1	<b>Share premium</b>	
	Opening balance	11 198 956
	Movement for the year	-
	<b>Closing balance</b>	<b>11 198 956</b>

19.2	<b>Non-distributable reserve</b>	
	Opening balance	5 522 755
	Movement for the year	-
	<b>Closing balance</b>	<b>5 522 755</b>

19.3	<b>Revaluation reserve</b>	
	Opening balance	6 267 162
	Revaluation adjustments made during the period	1 924 287
	<b>Closing balance</b>	<b>8 191 449</b>

19.4	<b>Available for sale reserve</b>	
	Opening balance	(636 498)
	Total comprehensive income	636 498
	<b>Closing balance</b>	<b>- (636 498)</b>

19.5	<b>Revenue reserve</b>	
	Opening balance	50 796 425
	Profit for the year	31 044 211
	Dividend paid	(16 580 370)
	<b>Closing balance</b>	<b>65 260 266</b>

## 20. CATEGORIES OF FINANCIAL INSTRUMENTS

	Held for trading US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
December 2012					
<b>Financial assets</b>					
Balances with banks and cash	-	-	175 932 794	-	175 932 794
Money market assets	57 004 893	-	-	-	57 004 893
Advances	-	-	774 152 205	-	774 152 205
Investments in equities	-	172 206	-	-	172 206
Other assets	-	-	33 810 128	-	33 810 128
<b>Total</b>	<b>57 004 893</b>	<b>172 206</b>	<b>983 895 127</b>	<b>-</b>	<b>1 041 072 226</b>

<b>Financial liabilities</b>					
Deposits	-	-	-	1 003 429 254	1 003 429 254
Other liabilities	-	-	-	11 863 027	11 863 027
Current tax payable	-	-	-	4 526 282	4 526 282
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 019 818 563</b>	<b>1 019 818 563</b>

	Held for trading US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
December 2011					
<b>Financial assets</b>					
Balances with banks and cash	-	-	140 060 364	-	140 060 364
Money market assets	5 050 000	-	-	-	5 050 000
Advances	-	-	729 508 116	-	729 508 116
Other assets	-	-	43 937 871	-	43 937 871
Investments	-	263 376	-	-	263 376
<b>Total</b>	<b>5 050 000</b>	<b>263 376</b>	<b>913 506 351</b>	<b>-</b>	<b>918 819 727</b>

<b>Financial liabilities</b>					
Deposits	-	-	-	809 124 335	809 124 335
Other liabilities	-	-	-	72 262 834	72 262 834
Current tax payable	-	-	-	4 826 325	4 826 325
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>886 213 494</b>	<b>886 213 494</b>

## 21. CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with external imposed capital requirements and the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, retain capital or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

	31 Dec 2012 US\$	31 Dec 2011 US\$
22.	<b>CONTINGENCIES AND COMMITMENTS</b>	
	<b>Contingent liabilities</b>	
	Guarantees	23 024 087
	<b>Capital commitments</b>	
	Authorised and contracted for	269 984
	Authorised but notcontracted for	-
	<b>269 984</b>	<b>2 838 570</b>

The capital commitments will be funded from the Bank's own resources and borrowings.

## 23. CAPITAL ADEQUACY

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

	31 Dec 2012 US\$	31 Dec 2011 US\$
<b>Risk weighted assets</b>	<b>780 353 072</b>	<b>753 796 864</b>
<b>Total qualifying capital</b>	<b>100 702 263</b>	<b>83 984 155</b>
<b>Tier 1</b>		
Share capital	5 118 180	5 118 180
Share premium	11 198 956	11 198 956
Revenue reserves	65 260 266	50 796 424
Less tier 1 deductions	(21 268 004)	(16 273 205)
<b>60 309 398</b>	<b>50 840 355</b>	
<b>Tier 2</b>		
Revaluation reserve	13 714 204	11 153 419
General provisions	9 754 413	9 422 461
<b>23 468 617</b>	<b>20 575 880</b>	
<b>Tier 3</b>		
Capital allocated for market risk	1 045 058	880 997
Capital allocated to operations risk	15 879 190	11 686 925
<b>16 924 248</b>	<b>12 567 922</b>	
<b>Capital adequacy</b>	<b>12.90%</b>	<b>11.14%</b>
-Tier 1	7.72%	6.74%
-Tier 2	3.01%	2.73%
-Tier 3	2.17%	1.67%

Regulatory capital consists of Tier 1 capital which comprises share capital, share premium and revenue reserves including current period profit. The other component of the regulatory capital is Tier 2 capital, which includes general provisions and revaluation reserves.







# AUDITED FINANCIAL RESULTS

For The Year Ended 31 December 2012

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

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

	CBZ Bank Limited
	%
At 31 December 2011	25.99
At 31 December 2012	33.09
Average for the period	29.79
Maximum for the period	33.63
Minimum for the period	22.48

#### 24.5 Interest rate risk

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

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

##### 24.5.1 Interest rate repricing

###### 31 December 2012

	Demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Above 5 years US\$	Non- interest bearing US\$	Total US\$
<b>Assets</b>							
Balance with banks and cash	92 585 687	83 347 107	-	-	-	-	175 932 794
Money market assets	47 007 906	9 996 987	-	-	-	-	57 004 893
Advances	475 219 280	21 687 862	62 175 562	142 679 444	72 390 057	-	774 152 205
Other assets	-	31 823 667	-	-	-	20 488 620	52 312 287
Investment in equities	-	-	-	-	-	172 206	172 206
Investment properties	-	-	-	-	-	2 745 000	2 745 000
Property and equipment	-	-	-	-	-	46 698 149	46 698 149
Deferred taxation	-	-	-	-	-	4 917 190	4 917 190
Intangible assets	-	-	-	-	-	1 175 445	1 175 445
<b>Total Assets</b>	<b>614 812 873</b>	<b>146 855 623</b>	<b>62 175 562</b>	<b>142 679 444</b>	<b>72 390 057</b>	<b>76 196 610</b>	<b>1 115 110 169</b>
<b>Liabilities and Equity</b>							
Deposits	630 194 168	159 130 548	83 996 574	124 723 283	5 384 681	-	1 003 429 254
Other liabilities	-	-	-	-	-	11 863 027	11 863 027
Current tax payable	-	-	-	-	-	4 526 282	4 526 282
Equity and reserves	-	-	-	-	-	95 291 606	95 291 606
<b>Total Equity and Liabilities</b>	<b>630 194 168</b>	<b>159 130 548</b>	<b>83 996 574</b>	<b>124 723 283</b>	<b>5 384 681</b>	<b>111 680 915</b>	<b>1 115 110 169</b>

Interest rate repricing gap	(15 381 295)	(12 274 925)	(21 821 012)	17 956 161	67 005 376	(35 484 305)	-
<b>Cumulative gap</b>	<b>(15 381 295)</b>	<b>(27 656 220)</b>	<b>(49 477 232)</b>	<b>(31 521 071)</b>	<b>35 484 305</b>	-	-

###### December 2011

	Demand US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	Above 5 years US\$	Non- interest bearing US\$	Total US\$
<b>Assets</b>							
Balance with banks and cash	56 599 078	83 461 286	-	-	-	-	140 060 364
Money market assets	-	5 050 000	-	-	-	-	5 050 000
Advances	407 402 136	28 319 415	63 591 586	197 437 243	32 757 736	-	729 508 116
Other assets	-	46 756 196	-	-	-	12 215 208	58 971 404
Investment in equities	-	-	-	-	-	263 376	263 376
Investment properties	-	-	-	-	-	2 288 000	2 288 000
Property and equipment	-	-	-	-	-	40 677 195	40 677 195
Deferred taxation	-	-	-	-	-	3 388 512	3 388 512
Intangible assets	-	-	-	-	-	1 560 091	1 560 091
<b>Total Assets</b>	<b>464 001 214</b>	<b>163 586 897</b>	<b>63 591 586</b>	<b>197 437 243</b>	<b>32 757 736</b>	<b>60 392 382</b>	<b>981 767 058</b>
<b>Liabilities and Equity</b>							
Deposits	535 444 329	99 096 473	74 200 453	100 383 080	-	-	809 124 335
Other liabilities	-	-	-	-	-	89 549 418	89 549 418
Current tax payable	-	-	-	-	-	4 826 325	4 826 325
Equity and reserves	-	-	-	-	-	78 266 980	78 266 980
<b>Total Equity and Liabilities</b>	<b>535 444 329</b>	<b>99 096 473</b>	<b>74 200 453</b>	<b>100 383 080</b>	<b>-</b>	<b>172 642 723</b>	<b>981 767 058</b>

Interest rate repricing gap	(71 443 115)	64 490 424	(10 608 867)	97 054 163	32 757 736	(112 250 341)	-
<b>Cumulative gap</b>	<b>(71 443 115)</b>	<b>(6 952 691)</b>	<b>(17 561 558)</b>	<b>79 492 605</b>	<b>112 250 341</b>	-	-

#### 24.6. Exchange rate risk

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

There is oversight at Board level through the Board Risk Management Committee which covers Assets and liabilities committee (ALCO) processes by way of strategic policy and benchmarking reviews and approval. Management ALCO which is held on a monthly basis reviews performance against set benchmarks embedded under acceptable currencies, currency positions as well as stop loss limits. Derivative contracts with characteristics and values derived from underlying financial instruments, exchange rates which relates to futures, forwards, swaps and options can be used to mitigate exchange risk. The Bank had no exposure to derivative transactions under the reporting period.

At 31 December 2012, if foreign exchange rates at that date had weakened or strengthened by 5 percentage points with all other variables held constant, post tax profit for the period would have been US\$33 270 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Bank as at 31 December 2012 is as below:

##### Foreign currency position as at 31 December 2012

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	175 932 794	154 254 393	16 461 052	2 595 731	2 621 618
Money market assets	57 004 893	43 840 226	6 339 123	2 161 870	4 663 674
Advances	774 152 205	773 269 943	1 240 572	257 030	(615 340)
Other assets	52 312 287	51 054 445	1 164 923	44 629	48 290
Investment in equities	172 206	28 564	-	-	143 642
Investment properties	2 745 000	2 745 000	-	-	-
Property and equipment	46 698 149	46 608 910	13 130	-	76 109
Deferred taxation	4 917 190	4 917 190	-	-	-
Intangible assets	1 175 445	1 175 445	-	-	-
<b>Total assets</b>	<b>1 115 110 169</b>	<b>1 077 894 116</b>	<b>25 218 800</b>	<b>5 059 260</b>	<b>6 937 993</b>
<b>Liabilities and Equity</b>					
Deposits	1 003 429 254	965 617 204	29 729 177	6 077 134	2 005 739
Other liabilities	11 863 027	11 793 624	-	61 864	7 539
Current tax payable	4 526 282	4 526 282	-	-	-
Equity and reserves	95 291 606	95 291 606	-	-	-
<b>Total Equity and Liabilities</b>	<b>1 115 110 169</b>	<b>1 077 228 716</b>	<b>29 729 177</b>	<b>6 138 998</b>	<b>2 013 278</b>

##### Foreign currency position as at 31 December 2011

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	140 060 364	116 643 112	17 432 886	2 132 413	3 851 953
Money market assets	5 050 000	5 050 000	-	-	-
Advances	729 508 116	727 383 977	315 818	1 614 925	193 396
Other assets	58 971 404	58 696 372	250 117	25 503	(588)
Investment in equities	263 376	158 655	-	-	104 721
Investment properties	2 288 000	2 288 000	-	-	-
Property and equipment	40 677 195	40 594 218	6 869	-	76 108
Deferred taxation	3 388 512	3 388 512	-	-	-
Intangible assets	1 560 091	1 560 091	-	-	-
<b>Total Assets</b>	<b>981 767 058</b>	<b>955 762 937</b>	<b>18 005 690</b>	<b>3 772 841</b>	<b>4 225 590</b>
<b>Liabilities and Equity</b>					
Deposits	809 124 335	765 302 663	20 988 927	3 937 266	18 895 479
Other liabilities	89 549 418	89 534 052	36 983	58 760	(80 377)
Current tax payable	4 826 325	4 826 325	-	-	-
Equity and reserves	78 266 980	78 266 980	-	-	-
<b>Total Equity and Liabilities</b>	<b>981 767 058</b>	<b>937 930 020</b>	<b>21 025 910</b>	<b>3 996 026</b>	<b>18 815 102</b>

##### Foreign currency position as at 31 December 2012

Underlying currency in US\$	ZAR	GBP	Other foreign currencies
<b>Assets</b>			
Balances with banks and cash	139 535 403	1 606 468	2 621 618
Money market assets	53 734 847	-	4 663 674
Advances	10 515 955	159 073	(615 340)
Other assets	9 874 699	27 620	48 290
Investments in equities	-	-	143 642
Property and equipment	-	-	76 109
<b>Total Assets</b>	<b>213 660 904</b>	<b>1 793 161</b>	<b>6 937 994</b>
<b>Liabilities</b>			
Deposits	252 005 317	3 761 068	2 005 739
Other liabilities	-	38 287	7 539
<b>Total liabilities</b>	<b>252 005 317</b>	<b>3 799 355</b>	<b>2 013 278</b>
<b>Net position</b>	<b>(38 344 413)</b>	<b>(2 006 194)</b>	<b>4 924 716</b>

##### Foreign Currency Position as at 31 December 2011

Underlying currency in US\$	ZAR	GBP	Other foreign currencies
<b>Assets</b>			
Balances with banks and cash	142 485 953	1 383 067	3 851 953
Advances	2 581 308	1 047 428	193 396
Other assets	2 044 309	16 541	(588)
Investments	-	-	104 721
<b>Total Assets</b>	<b>147 111 570</b>	<b>2 447 036</b>	<b>4 149 482</b>
<b>Liabilities</b>			
Deposits	171 550 896	2 553 682	18 895 479
Other liabilities	302 279	38 111	(80 377)
<b>Total liabilities</b>	<b>171 853 175</b>	<b>2 591 793</b>	<b>18 815 102</b>
<b>Net position</b>	<b>(24 741 605)</b>	<b>(144 757)</b>	<b>(14 665 620)</b>

#### STATEMENT OF COMPLIANCE

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

As at 31 December 2012 the Bank was not involved in any material litigation, dispute or arbitration proceedings which may have had a significant impact on its financial position.



