



# AUDITED FINANCIAL RESULTS

for the Year Ended 31 December

## 2014



## Chairman’s Statement

I am pleased to report that CBZ Holdings Limited delivered a healthy performance that is consistent with our promise to our stakeholders. The Group remains profitable despite the challenges in the various sectors of our economy. Against the backdrop of a slowdown in the economic fundamentals, the growth in the banking sector has remained under pressure.

The Group has continued to enhance its risk management policies in order to safeguard and grow shareholder value and stakeholder interests through the application of prudential banking and good business practices in our operations.

### Operating Environment

Zimbabwe’s growth rate for 2014 was affirmed at 3.1% (2013: 3.3%), by both the Government of Zimbabwe and the International Monetary Fund (IMF). However, the economy continued to face significant headwinds, as evidenced by the reduction in industry capacity utilization, depressed Government revenue collections, increased delinquent loans in the banking sector, external trade imbalances and a continued disinflationary environment. The annual average inflation rate fell from 1.64% in 2013 to -0.8% in 2014. A subdued stock market performance saw the industrial index fall by 19%.

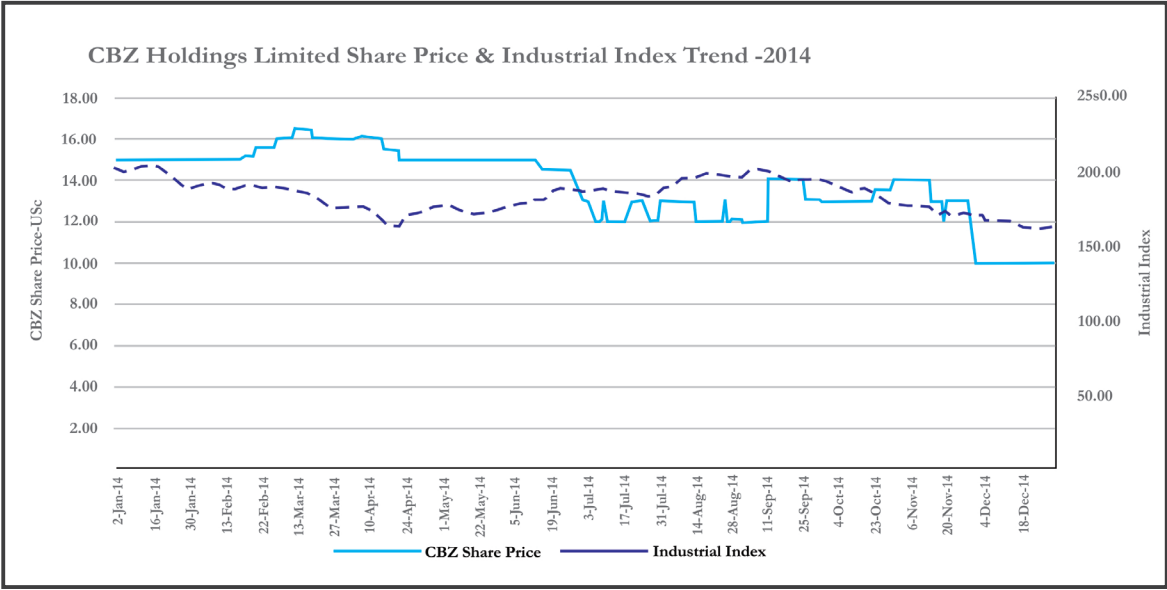
### Financial Market

In its Monthly Economic Review report for December 2014 the Reserve Bank of Zimbabwe indicated that Broad Money supply was at US\$4.40 billion a figure which reflected a 15.58% annual growth, the highest such increase in nearly two years. This was on account of increases across all deposit classes with the exception of short-term deposits. This did not have a significant impact on fixed term deposit rates as they remained largely unchanged from the previous year.

It is very encouraging to note the imminent resumption of the interbank facility supported by the African Export-Import Bank (Afreximbank). The January 2015 Monetary Policy issued by the Reserve Bank of Zimbabwe highlights the US\$200 million facility which we believe will go a long way in supporting the financial services sector to provide the financial intermediary role with relative ease.

### Equities Market

The industrial index closed the year with a cumulative loss of 19.46% on the prior year. Annual total market turnover of US\$452 million was 7% below the 2013 level of US\$486 million as a result of the economic downturn faced during the year.



CBZ Holdings Limited’s share opened the year at 15 cents before rising to a twelve month high of 16.5 cents in March 2014. In line with market fundamentals, the share declined during the last quarter to close the year at 10 cents.

### Overview of the Group’s performance

Below are the key highlights of the Group’s performance for the year and the comparative period.

	Audited Year Ended 31 Dec 2014 US\$m	Audited Year Ended 31 Dec 2013 US\$m
<b>Financial Performance</b>		
Profit before taxation	37.0	42.2
Profit after taxation	33.0	36.7
Total comprehensive income	35.7	39.9
Total assets	1 670.4	1 558.7
Total equity and reserves	231.7	205.8
Total deposits	1 416.9	1 332.6
Total advances	1 125.9	1 028.1
<b>Other statistics</b>		
Basic earnings per share(cents)	5.6	6.3
Non- interest Income to total Income %	42.8	36.7
Cost to income ratio %	63.8	59.0
Return on assets %	2.3	3.0
Return on equity %	15.1	20.0
Growth in deposits (YOY)%	6.3	29.1
Growth in advances (YOY)%	9.5	20.3
Growth in PBT (YOY)%	(12.4)	(24.0)
Growth in PAT (YOY)%	(9.9)	(18.6)

### Appreciation

My appreciation goes to the Boards of the Group, the Company’s management and staff for their valued contribution and commitment to growth and success. Our stakeholders remain the mainstay of our very existence and it is our commitment to sustain these relationships and remain the preferred provider of financial solutions as we extend our products and services to a global audience.

### RV Wilde

*RV Wilde*

**Chairman**  
25 February 2015

### AUDITOR’S STATEMENT

These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2014, 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

25 February 2015

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	Notes	31 Dec 2014 US\$	31 Dec 2013 US\$
Interest income	2	190 213 435	171 798 621
Interest expense	2	(101 861 755)	(76 531 111)
<b>Net interest income</b>		<b>88 351 680</b>	<b>95 267 510</b>
Non-interest income	3	58 085 822	48 106 088
Underwriting income (net)	4	8 131 790	7 171 217
<b>Total income</b>		<b>154 569 292</b>	<b>150 544 815</b>
Operating expenditure	5	(98 662 955)	(88 813 016)
<b>Operating income</b>		<b>55 906 337</b>	<b>61 731 799</b>
Charge for impairment	11.5/12.1	(18 035 952)	(19 445 247)
Transfer to life fund	21	(862 165)	(63 567)
<b>Profit before taxation</b>		<b>37 008 220</b>	<b>42 222 985</b>
Taxation	6	(3 976 837)	(5 570 643)
<b>Profit for the year after taxation</b>		<b>33 031 383</b>	<b>36 652 342</b>
<b>Other comprehensive income</b>			
Gains on property revaluation	6.1	3 247 571	3 774 521
Deferred Income tax relating to components of other comprehensive income	6.1	(547 980)	(561 057)
<b>Other comprehensive income for the year, net of tax</b>		<b>2 699 591</b>	<b>3 213 464</b>
<b>Total comprehensive income for the year</b>		<b>35 730 974</b>	<b>39 865 806</b>
<b>Profit for the year attributable to:</b>			
Equity holders of parent		32 945 695	36 469 338
Non-controlling interests	23.8	85 688	183 004
<b>Profit for the year</b>		<b>33 031 383</b>	<b>36 652 342</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of parent		35 645 286	39 682 802
Non-controlling interests	23.8	85 688	183 004
<b>Total comprehensive income for the year</b>		<b>35 730 974</b>	<b>39 865 806</b>
<b>Earnings per share(cents):</b>			
Basic	7.1	5.59	6.30
Fully diluted	7.1	5.44	6.14
Headline	7.1	5.61	6.18

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2014

	Notes	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>ASSETS</b>			
Balances with banks and cash	9	73 296 010	152 612 007
Money market assets	10	240 402 431	175 131 880
Advances	11	1 125 938 280	1 028 118 742
Insurance assets	12	4 151 998	3 980 123
Other assets	13	91 315 003	71 078 468
Investments in other financial assets	14	13 092 885	11 797 778
Property and equipment	15	76 950 172	76 444 894
Investment properties	16	25 161 306	21 849 043
Intangible assets	17	1 339 462	1 603 965
Deferred taxation	18.1	17 215 314	16 050 111
Current tax receivable		1 490 391	-
<b>TOTAL ASSETS</b>		<b>1 670 353 252</b>	<b>1 558 667 011</b>
<b>LIABILITIES</b>			
Deferred taxation	18.2	2 606 658	2 581 481
Deposits	19	1 416 930 877	1 332 564 255
Insurance liabilities	20	5 134 718	3 619 146
Life fund	21	2 311 493	1 614 683
Other liabilities	22	11 514 727	10 485 516
Current tax payable		165 147	1 956 968
<b>TOTAL LIABILITIES</b>		<b>1 438 663 620</b>	<b>1 352 822 049</b>
<b>EQUITY AND RESERVES</b>			
Share capital	23.1	6 866 065	6 862 084
Share premium	23.2	39 983 305	26 938 904
Treasury shares	23.3	(13 503 280)	(6 104 335)
Non-distributable reserve	23.4	-	13 000 000
Revaluation reserve	23.5	26 305 791	23 606 200
Share option reserve	23.6	907 067	772 890
Revenue reserves	23.7	170 846 270	140 099 968
<b>Equity and reserves attributable to equity holders of the parent</b>		<b>231 405 218</b>	<b>205 175 711</b>
Non-controlling interests	23.8	284 414	669 251
<b>TOTAL EQUITY AND RESERVES</b>		<b>231 689 632</b>	<b>205 844 962</b>
<b>TOTAL LIABILITIES, EQUITY AND RESERVES</b>		<b>1 670 353 252</b>	<b>1 558 667 011</b>

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014

	Share capital US\$	Share premium US\$	Treasury shares US\$	Non distributable Reserve US\$	Revaluation reserve US\$	Share option reserve US\$	Revenue reserve US\$	Non- controlling interests US\$	Total US\$
<b>2013</b>									
Opening balance	6 841 445	26 708 659	(8 195 417)	13 000 000	20 392 736	499 637	100 941 818	486 247	160 675 125
Total comprehensive income	-	-	-	-	3 213 464	-	36 469 338	183 004	39 865 806
Treasury shares acquisition	-	-	(1 711 465)	-	-	-	-	-	(1 711 465)
Treasury shares disposal	-	-	3 802 547	-	-	-	4 676 947	-	8 479 494
Employee share option reserve	-	-	-	-	-	342 300	-	-	342 300
Exercise of share options	20 639	230 245	-	-	-	(69 047)	-	-	181 837
Dividends paid	-	-	-	-	-	-	(1 988 135)	-	(1 988 135)
<b>Closing Balance</b>	<b>6 862 084</b>	<b>26 938 904</b>	<b>(6 104 335)</b>	<b>13 000 000</b>	<b>23 606 200</b>	<b>772 890</b>	<b>140 099 968</b>	<b>669 251</b>	<b>205 844 962</b>
<b>2014</b>									
Opening Balance	6 862 084	26 938 904	(6 104 335)	13 000 000	23 606 200	772 890	140 099 968	669 251	205 844 962
Total comprehensive income	-	-	-	-	2 699 591	-	32 945 695	85 688	35 730 974
Treasury shares acquisition	-	-	(7 398 945)	-	-	-	-	-	(7 398 945)
Change in degree of ownership	-	-	-	-	-	-	20 995	(470 525)	(449 530)
Employee share option reserve	-	-	-	-	-	147 493	-	-	147 493
Exercise of share options	3 981	44 401	-	-	-	(13 316)	-	-	35 066
Dividends paid	-	-	-	-	-	-	(2 220 388)	-	(2 220 388)
Inter category transfer	-	13 000 000	-	(13 000 000)	-	-	-	-	-
<b>Closing Balance</b>	<b>6 866 065</b>	<b>39 983 305</b>	<b>(13 503 280)</b>	<b>-</b>	<b>26 305 791</b>	<b>907 067</b>	<b>170 846 270</b>	<b>284 414</b>	<b>231 689 632</b>





AUDITED  
FINANCIAL RESULTS  
for the Year Ended 31 December 2014



CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 31 December 2014

	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>37 008 220</b>	<b>42 222 985</b>
Non cash items:		
Depreciation	7 467 207	5 482 586
Amortisation of intangible assets	859 402	814 575
Impairment of property, equipment and land inventory	524 623	746 093
Fair value adjustments on investment properties	(576 488)	(1 730 859)
Fair value adjustments on financial instruments	391 657	(225 365)
Impairment on advances and insurance assets	18 035 952	19 445 247
Unrealised gain on foreign currency position	(1 522 557)	(2 505 158)
Profit on disposal of investment properties	-	55 891
Unearned premium	679 526	530 904
Claims provision incurred but not reported (IBNR)	946 179	(176 210)
Loss on sale of property and equipment	53 972	24 578
Employee share option expense	147 493	342 300
<b>Operating cash inflow before changes in operating assets and liabilities</b>	<b>64 015 186</b>	<b>65 027 567</b>
<b>Changes in operating assets and liabilities</b>		
Deposits	85 889 179	302 717 338
Advances	(126 652 786)	(200 216 662)
Money market assets	(65 270 551)	(150 235 459)
Insurance assets	(320 295)	441 027
Insurance liabilities	586 677	(1 767 972)
Other assets	(11 793 323)	(14 972 576)
Other liabilities	1 029 210	(5 534 281)
	<b>(116 531 889)</b>	<b>(69 568 585)</b>
Corporate tax paid	(8 947 056)	(17 503 163)
<b>Net cash outflow from operating activities</b>	<b>(61 463 759)</b>	<b>(22 044 181)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of investment property	-	176 609
Net change in investments	(1 686 763)	(1 763 123)
Purchase of investment properties	(77 897)	(14 707)
Proceeds on disposal of property and equipment	444 628	810 232
Purchase of property and equipment	(6 024 260)	(9 423 343)
Purchase of intangible assets	(474 149)	(277 721)
<b>Net cash outflow from investing activities</b>	<b>(7 818 441)</b>	<b>(10 492 053)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Employee share options	35 066	181 837
Acquisition of additional shares in subsidiary	(449 530)	-
Treasury shares acquisition	(7 398 945)	(1 711 465)
Treasury shares disposal	-	8 479 494
Dividends paid	(2 220 388)	(1 988 135)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(10 033 797)</b>	<b>4 961 731</b>
<b>NET DECREASE IN BALANCES WITH BANKS AND CASH</b>	<b>(79 315 997)</b>	<b>(27 574 503)</b>
Balances with banks and cash at the beginning of the year	152 612 007	180 186 510
<b>BALANCES WITH BANKS AND CASH AT END OF THE YEAR</b>	<b>73 296 010</b>	<b>152 612 007</b>

ACCOUNTING POLICIES  
for the year ended 31 December 2014

1. GROUP ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

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

The financial results are presented in United States dollars (US\$), the Group's functional currency.

Basis of consolidation

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

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

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management made certain judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Kindly refer to our website (www.cbz.co.zw) for a detailed analysis of the significant accounting estimates and judgements, which are consistent with those which were applied in the Group's 2013 annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2014

1. INCORPORATION AND ACTIVITIES

The consolidated financial results of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2014. The Group offers commercial banking, mortgage finance, asset management, short term insurance, life assurance and other financial services and is incorporated in Zimbabwe.

2. INTEREST

Interest income

Bankers acceptances  
Overdrafts  
Loans  
Mortgage loans  
Staff loans

Short-term money market assets  
Other investments

Interest expense

Call deposits  
Savings deposits  
Money market deposits  
Other offshore deposits

NET INTEREST INCOME

3. NON-INTEREST INCOME

Net income from trading securities  
Fair value adjustments on financial instruments  
Fair value adjustments on investment properties  
Net income from foreign currency exchange dealings  
Unrealised gain on foreign currency exchange  
Commission and fee income  
Loss on disposal of assets  
Other operating income

4. UNDERWRITING INCOME (NET)

Gross insurance premium  
Reinsurance  
Net written premium  
Unearned premium  
Net earned premium  
Net commission  
Net claims

5. OPERATING EXPENDITURE

Staff costs  
Administration expenses  
Audit fees  
Depreciation  
Amortisation of intangible assets  
Impairment of property and equipment  
Impairment of land inventory

Remun`eration of directors and key management personnel (included in staff costs)

Fees for services as directors  
Pension for past and present directors  
Salaries and other benefits

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  
Between 1 and 5 years  
More than 5 years

6. TAXATION

The following constitutes the major components of income tax expense recognised in the statement of comprehensive income.

	31 Dec 2014 US\$	31 Dec 2013 US\$
Current tax	5 664 844	14 446 963
Deferred tax	(1 688 007)	(8 876 320)
<b>Income tax expense</b>	<b>3 976 837</b>	<b>5 570 643</b>
<b>Income tax relating to components of other comprehensive income</b>		
Gross revaluation adjustment	3 247 571	3 774 521
Tax benefit/(expense)	( 547 980)	(561 057)
<b>Net revaluation adjustment</b>	<b>2 699 591</b>	<b>3 213 464</b>
<b>Total taxation</b>	<b>547 980</b>	<b>561 057</b>
<b>Tax rate reconciliation</b>		
	%	%
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Permanent differences	(14.18)	(12.23)
Tax credit	(0.82)	(0.33)
<b>Effective tax rate</b>	<b>10.75</b>	<b>13.19</b>

7. EARNINGS PER SHARE

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

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

Headline earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the parent after adjustments for excluded re-measurements by the weighted average number of ordinary shares outstanding during the period.





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

	31 Dec 2014	31 Dec 2013
<b>7.1 Earnings per share(cents):</b>		
Basic	5.59	6.30
Fully diluted	5.44	6.14
Headline	5.61	6.18
	<b>US\$</b>	<b>US\$</b>
<b>7.2 Earnings</b>		
Basic earnings (earnings attributable to equity holders of parent)	32 945 695	36 439 338
Fully diluted earnings	32 945 695	36 469 340
Headline earnings	33 046 194	35 773 928
<b>Number of shares used in calculations (weighted)</b>		
	<b>Shares</b>	<b>Shares</b>
Basic earnings per share (weighted)	589 866 928	578 552 839
Fully diluted earnings per share (weighted)	605 123 808	594 207 764
Headline earnings (weighted)	589 866 928	578 552 839
<b>7.3 Reconciliation of denominators used for calculating basic and diluted earnings per share:</b>		
Weighted average number of shares before adjustment for treasury shares	686 510 096	686 208 540
<b>Less:</b> Treasury shares held	(96 643 168)	(107 655 701)
Weighted average number of shares used for basic EPS	<b>589 866 928</b>	<b>578 552 839</b>
Potentially dilutive shares	15 256 880	15 654 925
Weighted average number of shares used for diluted EPS	<b>605 123 808</b>	<b>594 207 764</b>
	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
	<b>US\$</b>	<b>US\$</b>
<b>7.4 Headline earnings</b>		
Profit attributable to ordinary shareholders	32 945 695	36 469 338
<b>Adjusted for:</b>		
Impairment on property and equipment and land inventory	524 623	746 093
Disposal loss on property and equipment	53 972	80 469
Gains on investment properties valuations	(576 488)	(1 730 859)
Tax relating to re-measurements	98 392	208 887
<b>Headline earnings</b>	<b>33 046 194</b>	<b>35 773 928</b>
<b>8. DIVIDENDS</b>		
Interim dividend paid	1 103 009	961 305
Final dividend proposed	1 388 945	1 262 708
	<b>2 491 954</b>	<b>2 224 013</b>
Dividends are paid on shares held at the record date net of treasury shares held on the same date.		
<b>9. BALANCES WITH BANKS AND CASH</b>		
Cash foreign	29 239 147	35 820 181
Nostro accounts	17 529 169	22 530 964
Balance with the Reserve Bank of Zimbabwe	26 522 329	94 237 886
Interbank clearing accounts	5 365	22 976
	<b>73 296 010</b>	<b>152 612 007</b>
<b>10. MONEY MARKET ASSETS</b>		
AMA/Agro bills	1 422 000	100 000
Call placements	64 764 086	82 244 680
Treasury bills	147 838 853	54 171 471
Bankers acceptances	21 428 062	35 700 159
Accrued interest	4 949 430	2 915 570
	<b>240 402 431</b>	<b>175 131 880</b>
<b>10.1 Maturity analysis</b>		
Less than 1 month	24 010 837	85 506 749
Between 1 and 3 months	72 768 110	24 403 863
Between 3 and 6 months	1 727 933	18 261 279
Between 6 months and 1year	4 395 084	40 000 000
Between 1 and 5 years	137 500 467	6 959 989
	<b>240 402 431</b>	<b>175 131 880</b>
<b>10.2 Financial assets held for trading</b>		
Maturity value	240 052 181	173 049 063
Book value	233 714 027	166 359 546
<b>10.3 Financial assets classification</b>		
Financial assets held at fair value through profit or loss	306 987 254	166 359 546

The Group holds Treasury Bills aquired from the Reserve Bank of Zimbabwe worth \$147 838 853 (2013: \$54 171 471). These financial assets have been classified as held for trading.

		31 Dec 2014 US\$	31 Dec 2013 US\$		
11.	<b>ADVANCES</b>				
	Overdrafts	660 125 004	558 909 098		
	Loans	347 187 101	355 480 541		
	Mortgage advances	171 359 744	137 205 371		
		<b>1 178 671 849</b>	<b>1 051 595 010</b>		
	Interest accrued	13 098 389	12 439 476		
	<b>Total gross advances</b>	<b>1 191 770 238</b>	<b>1 064 034 486</b>		
	Impairment provision (including interest in suspense)	(65 831 958)	(35 915 744)		
		<b>1 125 938 280</b>	<b>1 028 118 742</b>		
11.1	<b>Sectoral analysis</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
	Private	116 692 382	10	107 684 586	10
	Agriculture	337 137 187	28	294 181 688	27
	Mining	20 142 355	2	16 809 125	2
	Manufacturing	97 172 797	8	96 973 194	9
	Distribution	293 006 084	25	246 431 922	23
	Construction	4 635 813	-	5 299 981	1
	Transport	22 777 858	2	25 308 141	2
	Communication	6 927 291	-	8 911 310	1
	Services	271 335 148	23	243 360 650	23
	Financial organisations	21 943 323	2	19 073 889	2
		<b>1 191 770 238</b>	<b>100</b>	<b>1 064 034 486</b>	<b>100</b>
11.2	<b>Maturity analysis</b>				
	Less than 1 month	614 542 440		613 145 157	
	Between 1 and 3 months	35 045 651		13 090 851	
	Between 3 and 6 months	21 247 394		8 986 471	
	Between 6 months and 1 year	208 199 408		128 262 783	
	Between 1 and 5 years	157 392 983		180 355 875	
	More than 5 years	155 342 362		120 193 349	
		<b>1 191 770 238</b>		<b>1 064 034 486</b>	

Maturity analysis is based on the remaining period from 31 December 2014 to contractual maturity.

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  
Advances made during the year  
Repayments during the year  
**Balance at end of year**

**Loans to employees**  
Included in advances are loans to employees:  
  
Opening balance  
Advances made during the year  
Repayments during the year  
**Balance at end of year**

**11.4 Non performing advances**  
Total advances on which interest is suspended

**11.5 Impairment provisions**  
Opening balance  
Charge for impairment on advances  
Interest in suspense  
Amounts written off during the year  
**Balance at end of year**

**Comprising:**  
Specific impairments  
Portfolio impairments

**11.6 Collaterals**  
Cash cover  
Mortgage bonds  
Notarial general covering bonds

12. INSURANCE ASSETS

Reinsurance unearned premium reserve  
Reinsurance receivables  
Deferred acquisition cost  
Insurance premium receivables  
Suspended premium

**12.1 Impairment on insurance assets**  
Opening balance  
Provision for doubtful insurance receivables  
Amounts written off during the year  
**Balance at end of year**

**13. OTHER ASSETS**  
  
Work in progress  
Land inventory  
Prepayments and deposits  
Other receivables

14. INVESTMENTS IN OTHER FINANCIAL ASSETS

Investments in equity instruments  
Investments in debenture instruments

**14.1 INVESTMENTS IN EQUITIES**  
Unlisted investments  
Listed investments

At cost  
At fair value

**Portfolio analysis**  
Trading  
Available for sale

Available for sale investments are held at cost.

**14.2 Investment in subsidiaries**  
CBZ Bank Limited  
CBZ Asset Management  
CBZ Building Society  
CBZ Insurance (Private) Limited  
CBZ Properties (Private) Limited  
CBZ Life Assurance (Private) Limited  
CBZ Asset Management - Mauritius

Refer to note 23.8.1 for the changes in investment in CBZ Insurance.

15. PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold	Motor	Computer and	Work in	31 Dec 2014	31 Dec 2013
<b>Cost</b>	<b>US\$</b>	<b>US\$</b>	<b>improvements</b>	<b>vehicles</b>	<b>equipment</b>	<b>progress</b>	<b>US\$</b>	<b>US\$</b>
Opening balance	5 100 094	51 637 774	695 174	3 722 853	26 880 795	1 764 124	89 800 814	83 426 767
Additions	-	1 069 691	107 255	1 146 968	3 239 475	460 871	6 024 260	9 423 342
Revaluation surplus	599 253	(79 501)	-	-	-	-	519 752	2 630 750
Impairments	-	(455 965)	-	-	-	-	(455 965)	(721 573)
Disposals	-	-	-	(192 651)	(527 986)	(353 707)	(1 074 344)	(988 507)
Transfers to non PPE assets	-	-	-	-	-	(344 781)	(344 781)	(3 969 965)
Transfers	-	117 300	3 006	-	272 845	(393 151)	-	-
<b>Closing balance</b>	<b>5 699 347</b>	<b>52 289 299</b>	<b>805 435</b>	<b>4 677 170</b>	<b>29 865 129</b>	<b>1 133 356</b>	<b>94 469 736</b>	<b>89 800 814</b>
<b>Accumulated depreciation and impairment</b>								
Opening balance	-	-	196 862	2 146 295	11 012 763	-	13 355 920	9 178 213
Charge for the year	-	2 727 819	74 795	655 695	4 008 898	-	7 467 207	5 482 586
Disposals	-	-	-	(154 718)	(421 026)	-	(575 744)	(153 697)
Revaluation	-	(2 727 819)	-	-	-	-	(2 727 819)	(1 143 771)
Impairments	-	-	-	-	-	-	-	(7 411)
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>271 657</b>	<b>2 647 272</b>	<b>14 600 635</b>	<b>-</b>	<b>17 519 564</b>	<b>13 355 920</b>
<b>Net book value</b>	<b>5 699 347</b>	<b>52 289 299</b>	<b>533 778</b>	<b>2 029 898</b>	<b>15 264 494</b>	<b>1 133 356</b>	<b>76 950 172</b>	<b>76 444 894</b>
<b>Net book value (2013)</b>	<b>5 100 094</b>	<b>51 637 774</b>	<b>498 312</b>	<b>1 576 558</b>	<b>15 868 032</b>	<b>1 764 124</b>		

Properties were revalued on an open market basis by an independent professional valuer, Mabikacheche & Associates, as at 31 December 2014 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards.





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

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

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

The carrying amount of buildings would have been US\$31 804 389 (2013: \$32 382 280) had they been carried at cost.

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

16.	INVESTMENT PROPERTIES	31 Dec 2014 US\$	31 Dec 2013 US\$
	Opening balance	21 849 043	20 335 977
	Additions	77 897	14 707
	Disposals	-	(232 500)
	Transfer from other assets	2 657 878	-
	Fair valuation gain	576 488	1 730 859
	Closing balance	25 161 306	21 849 043

The carrying amount of the investment property is the fair value of the property as determined by Mabikacheche & Associates, a registered independent appraiser having, an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. The properties were valued as at 31 December 2014.

The rental income derived from investment properties amounted to US\$ 1 391 420 (2013: US\$ 1 317 835) and direct operating expenses amounted to US\$ 173 598 (2013: US\$ 175 678).

17.	INTANGIBLE ASSETS	31 Dec 2014 US\$	31 Dec 2013 US\$
	Computer software		
	At cost	4 013 282	3 418 383
	Accumulated amortisation	(2 673 820)	(1 814 418)
		1 339 462	1 603 965
	Movement in intangible assets:		
	Opening balance	1 603 965	2 090 819
	Additions	474 149	277 721
	Transfer from property and equipment	120 750	50 000
	Amortisation charge	(859 402)	(814 575)
	Closing balance	1 339 462	1 603 965

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

18.	DEFERRED TAXATION	31 Dec 2014 US\$	31 Dec 2013 US\$
	Analysis of temporary differences		
18.1	Deferred tax asset		
	Opening balance	16 050 111	7 539 322
	Assessed loss	263 977	161 378
	Impairments and provisions	3 777 181	657 112
	Tax claimable impairments	(4 908 545)	8 377 977
	Other	2 032 590	(685 678)
	Closing balance	17 215 314	16 050 111

18.2	Deferred tax liability		
	Deferred tax related to items charged or credited to statement of comprehensive income during the period is as follows:		
	Revaluation of property and equipment	547 980	561 057
		547 980	561 057

The deferred tax included in the statement of financial position and changes recorded in the income tax expense are comprised of:

	Fair value adjustments	98 392	208 886
	Prepayments	16 429	589 907
	Property and equipment	404 639	(1 042 633)
	Other	(1 042 263)	(121 691)
		(522 803)	(365 531)
	Add:		
	Opening balance	2 581 481	2 385 955
	Closing balance	2 606 658	2 581 481

19.	DEPOSITS		
	Call deposits	23 671 484	10 439 337
	Savings and other deposits	608 023 548	521 227 248
	Money market deposits	537 399 502	490 348 487
	Lines of credit	234 727 287	299 481 272
	Accrued interest	13 109 056	11 067 911
		1 416 930 877	1 332 564 255

19.1	Deposits by source		
	Banks	62 558 182	37 647 610
	Money market	508 228 320	468 446 725
	Customers	609 567 589	522 778 226
	Lines of credit	236 576 786	303 691 694
		1 416 930 877	1 332 564 255

19.2	Deposits by type		
	Retail	103 847 578	66 911 308
	Corporate	505 720 011	455 866 918
	Money market	570 786 502	506 094 335
	Lines of credit	236 576 786	303 691 694
		1 416 930 877	1 332 564 255

Foreign lines of credit relate to borrowings from a foreign bank or financial institution. These have an average tenure of 1.3 years with an average interest rate of 6.1 % and are secured by a variety of instruments which include lien over bank accounts, guarantees, treasury bills and sub borrower securities.

19.3	Sectoral Analysis	31 Dec 2014 US\$	%	31 Dec 2013 US\$	%
	Private	83 693 796	6	66 088 820	5
	Agriculture	35 739 298	2	33 618 095	3
	Mining	10 792 075	1	11 045 154	1
	Manufacturing	78 303 262	6	124 870 103	9
	Distribution	135 342 475	10	133 636 078	10
	Construction	25 282 409	2	23 766 879	2
	Transport	17 285 714	1	16 249 538	1
	Communication	31 564 254	2	62 095 991	5
	Services	442 694 646	31	324 718 478	24
	Financial organisations	525 654 196	37	487 294 770	37
	Financial and investments	30 578 752	2	49 180 349	3
		1 416 930 877	100	1 332 564 255	100

19.4	Maturity analysis	31 Dec 2014 US\$	31 Dec 2013 US\$
	Repayable on demand	602 465 271	805 831 152
	Between 1 and 3 months	100 964 340	192 584 821
	Between 3 and 6 months	57 606 556	121 254 263
	Between 6 months and 1 year	308 929 280	102 362 566
	Between 1 and 5 years	317 679 170	89 710 470
	More than 5 years	29 286 260	20 820 983
		1 416 930 877	1 332 564 255

Maturity analysis is based on the remaining period from 31 December 2014 to contractual maturity.

20.	INSURANCE LIABILITIES		
	Reinsurance payables	695 165	549 367
	Gross outstanding claims	1 066 353	635 779
	Gross unearned premium reserve	3 082 376	2 202 048
	Deferred reinsurance acquisition revenue	290 824	231 952
		5 134 718	3 619 146

20.1	Insurance contract provisions			
	(a) Provision for unearned premiums	Gross US\$	Reinsurance US\$	Net US\$
	Unearned premiums beginning of year			
	Written premiums	3 002 414	1 076 997	1 925 417
	Premiums earned during the year	18 319 992	4 758 546	13 561 446
	Additional Unearned Risk Reserve (AURR)	(17 457 751)	(4 575 831)	(12 881 920)
	Unearned premiums at end of year	3 864 655	1 259 712	2 604 943
	Outstanding claims provision			
	Outstanding claims at beginning of year	614 363	122 900	491 463
	Claims incurred	5 590 615	1 641 637	3 948 978
	Incurred but not reported claims provision (IBNR)	258 328	-	258 328
	Claims paid	(5 254 709)	(1 388 512)	(3 866 197)
	Outstanding claims at end of year	1 208 597	376 025	832 572

(b) Reinsurance payables		Gross US\$	Reinsurance US\$
Reinsurance payables at beginning of year		549 367	1 058 715
Premiums ceded during the year		4 758 546	4 235 432
Reinsurance paid		(4 612 748)	(4 744 780)
Reinsurance payables at end of year		695 165	549 367

	Unearned Commission US\$	Deferred Acquisition US\$	Net US\$
(c) Commissions			
Unearned at the beginning of year	231 953	246 176	(14 223)
Written premiums	924 663	1 008 865	(84 202)
Earned during the year	(868 078)	(906 173)	38 095
Unearned at end of year	288 538	348 868	(60 330)

	(d) Net claims	31 Dec 2014 US\$	31 Dec 2013 US\$
	Gross claims incurred	5 197 235	4 377 900
	Reinsurance claims	(1 413 805)	(1 882 360)
	Incurred but not yet reported claims	683 132	459 275
	Gross outstanding claims	612 305	664 930
	Reinsurance share of outstanding claims	(227 832)	(122 900)
		4 851 035	3 496 845
	(e) Net commissions		
	Commission received	973 514	953 886
	Commission paid	(2 479 129)	(1 872 444)
	Deferred acquisition costs	28 641	217 791
	Net commission	(1 476 974)	(700 767)

21.	LIFE FUND	Unearned Premium Reserve US\$	Incurred But Not Reported US\$	Guaranteed Education Plan Provision US\$	Total US\$
	Opening balance	799 601	424 805	390 277	1 614 683
	Transfer (to)/from income	(26 539)	200 853	687 851	862 165
	Interest on GEP Fund	-	-	50 145	50 145
	Early Maturity GEP claims	-	-	(215 500)	(215 500)
	Closing balance	773 062	625 658	912 773	2 311 493

22.	OTHER LIABILITIES	31 Dec 2014 US\$	31 Dec 2013 US\$
	Revenue received in advance	3 236 546	1 124 626
	Sundry creditors	6 521 473	7 234 689
	Other	1 756 708	2 126 201
		11 514 727	10 485 516

23.	EQUITY AND RESERVES		
23.1	Share capital		
	Authorised		
	1 000 000 ordinary shares of US\$ 0.01each	10 000 000	10 000 000
	Issued and fully paid		
	686 606 495 ordinary shares of US\$ 0.01each(2013: 686 208 400)	6 866 065	6 862 084
	Opening balance	6 862 084	6 841 445
	Exercise of share options	3 981	20 639
	Closing balance	6 866 065	6 862 084

23.2	Share premium		
	Opening balance	26 938 904	26 708 659
	Exercise of Share option reserve	44 401	230 245
	Transfer from non-distributable reserve	13 000 000	-
	Closing balance	39 983 305	26 938 904

23.3	Treasury shares		
	Opening balance	6 104 335	8 195 417
	Share buyback	7 398 945	1 711 465
	Disposal of shares	-	(3 802 547)
	Closing balance	13 503 280	6 104 335

23.4	Non-distributable reserve		
	Opening balance	13 000 000	13 000 000
	Transfer to share premium	(13 000 000)	-
	Closing balance	-	13 000 000





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23.5	<b>Revaluation reserve</b>	<b>31 Dec 2014 US\$</b>	<b>31 Dec 2013 US\$</b>
	Opening balance	23 606 200	20 392 736
	Net revaluation gain	2 699 591	3 213 464
	<b>Closing balance</b>	<b>26 305 791</b>	<b>23 606 200</b>
23.6	<b>Employee share option reserve</b>		
	Opening balance	772 890	499 637
	Share options to employees	134 177	273 253
	<b>Closing balance</b>	<b>907 067</b>	<b>772 890</b>

During the year 398 045 shares were exercised after vesting and \$35 066 was realised from the exercise.

#### Shares under option

The Directors are empowered to grant share options to senior executives and staff of the company up to a maximum of 40 000 000 shares. The options are granted for a period of 10 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of the share options outstanding as at 31 December 2014 were as follows:

	<b>Subscription price</b>	<b>Number of Shares</b>
Granted 1 June 2012	\$0.00881	40 000 000
<b>Movement for the year</b>		
Balance as at 31 December 2013		37 951 792
Options exercised		(398 045)
Options forfeited		-
Balance as at 31 December 2014		<b>37 553 747</b>

A valuation of the share option scheme was carried out by professional valuers as at 31 December 2013. The estimated fair value of the options granted was determined using the binomial model in accordance with IFRS 2 “Share Based Payments” with inputs and assumptions:

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

#### Valuation inputs:

#### Exercise price

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

#### Expected volatility

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

#### Expected dividends

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

#### Risk free rate of return

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

23.7	<b>Revenue reserve</b>	<b>31 Dec 2014 US\$</b>	<b>31 Dec 2013 US\$</b>
	The revenue reserve comprises:	21 230 305	18 743 685
	Holding company	153 407 951	125 022 672
	Subsidiary companies	(3 791 986)	(3 666 389)
	Effects of consolidation journals		
		<b>170 846 270</b>	<b>140 099 968</b>

23.8	<b>Non-controlling interests</b>		
	Non-controlling interests comprise:		
	Opening balance	669 251	486 247
	Total comprehensive income	85 688	183 004
	Equity adjustment	(470 525)	-
	<b>Closing balance</b>	<b>284 414</b>	<b>669 251</b>

23.8.1	<b>Non controlling interest acquisition</b>	
	CBZ Holdings acquired further shareholding in its subsidiary (CBZ Insurance) at a consideration of US\$ 449 530. This resulted in CBZ Holdings increasing its interest from 58.5% to 86.63%.	

Net asset value of NCI at acquisition	694 163	-
Fair value of consideration paid	449 530	-
Value of NCI disposed (28.13%/41.5% of 694 163)	(470 525)	-
	<b>(20 995)</b>	<b>-</b>

## 24. CATEGORIES OF FINANCIAL INSTRUMENTS

### 31 December 2014

	<b>At fair value through profit or loss US\$</b>	<b>Available for sale US\$</b>	<b>Loans and receivables US\$</b>	<b>Financial assets/liabilities at amortised cost US\$</b>	<b>Total carrying amount US\$</b>
<b>Financial assets</b>					
Balances with banks and cash	-	-	73 296 010	-	73 296 010
Money market assets	240 402 431	-	-	-	240 402 431
Advances	-	-	1 125 938 280	-	1 125 938 280
Insurance assets	-	-	4 151 998	-	4 151 998
Investments	4 982 148	480 770	7 629 967	-	13 092 885
Other assets	-	-	46 065 681	-	46 065 681
<b>Total</b>	<b>245 384 579</b>	<b>480 770</b>	<b>1 257 081 936</b>	<b>-</b>	<b>1 502 947 285</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	1 416 930 877	1 416 930 877
Life fund	-	-	-	2 311 493	2 311 493
Insurance liabilities	-	-	-	5 134 718	5 134 718
Other liabilities	-	-	-	11 514 727	11 514 727
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 435 891 815</b>	<b>1 435 891 815</b>

	<b>At fair value through profit or loss US\$</b>	<b>Available for sale US\$</b>	<b>Loans and receivables US\$</b>	<b>Financial assets/liabilities at amortised cost US\$</b>	<b>Total carrying amount US\$</b>
<b>31 December 2013</b>					
<b>Financial assets</b>					
Balances with banks and cash	-	-	152 612 007	-	152 612 007
Money market assets	166 359 546	-	8 772 334	-	175 131 880
Advances	-	-	1 028 118 742	-	1 028 118 742
Insurance assets	-	-	3 980 123	-	3 980 123
Investments	3 968 976	200 771	7 628 031	-	11 797 778
Other assets	-	-	18 917 844	-	18 917 844
<b>Total</b>	<b>170 328 522</b>	<b>200 771</b>	<b>1 220 029 081</b>	<b>-</b>	<b>1 390 558 374</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	1 332 564 255	1 332 564 255
Insurance liabilities	-	-	-	3 619 146	3 619 146
Other liabilities	-	-	-	10 485 516	10 485 516
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 346 668 917</b>	<b>1 346 668 917</b>

## 25. CAPITAL MANAGEMENT

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

## 26. CONTINGENCIES AND COMMITMENTS

### Contingent liabilities

Guarantees

### Capital commitments

Authorised and contracted for

Authorised and but not yet contracted for

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

## 27. FUNDS UNDER MANAGEMENT

Pensions

Private

Unit trust

Money market

## 28. 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 investing portfolios through the treasury function.
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CBZ Asset Management (Private) Limited	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
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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 insurance.

The table below shows the segment operational results for the year ended 31 December 2014:

### 28.1 Segment operational results

	<b>Commercial banking US\$</b>	<b>Mortgage finance US\$</b>	<b>Asset management US\$</b>	<b>Insurance US\$</b>	<b>Property investment US\$</b>	<b>Other operations US\$</b>	<b>Elimination of intersegment amounts US\$</b>	<b>Consolidated US\$</b>
<b>Income</b>								
Total income for the year ended 31 Dec 2014	116 816 275	27 072 179	2 307 221	8 366 698	658 441	4 955 762	(5 607 284)	154 569 292
Total income for the year ended 31 Dec 2013	116 435 622	23 623 732	2 119 670	7 867 177	1 209 871	1 387 929	(2 099 186)	150 544 815
Depreciation and amortisation for the year ended 31 Dec 2014	5 489 616	1 999 304	184 463	271 864	-	132 362	249 000	8 326 609
Depreciation and amortisation for the year ended 31 Dec 2013	4 176 727	1 513 249	160 513	191 298	-	146 020	109 374	6 297 161
Impairment of assets for the year ended 31 Dec 2014	17 389 824	1 022 331	-	148 420	-	-	-	18 560 575
Impairment of assets for the year ended 31 Dec 2013	19 082 552	792 351	2 611	285 374	28 452	-	-	20 191 340

### Results

Profit before taxation for the year ended 31 Dec 2014	20 161 938	13 962 547	461 670	3 250 193	635 452	4 330 771	(5 794 350)	37 008 220
Profit before taxation for the year ended 31 Dec 2013	23 287 628	14 954 494	494 751	3 878 458	1 190 625	(219 388)	(1 363 583)	42 222 985

### Cash flows:

Used in operating activities for the year ended 31 Dec 2014	(69 240 531)	528 241	(87 293)	352 153	1 035 429	5 325 015	623 227	(61 463 759)
Used in operating activities for the year ended 31 Dec 2013	(18 788 527)	721 630	597 531	709 598	(82 586)	2 379 979	(7 581 806)	(22 044 181)

Used in investing activities for the year ended 31 Dec 2014	(5 019 784)	(671 320)	(74 608)	(570 497)	(77 404)	(1 987 019)	582 191	(7 818 441)
Used in investing activities for the year ended 31 Dec 2013	(7 518 894)	(702 982)	(177 233)	(501 876)	176 609	(2 725 634)	957 957	(10 492 053)

Used in financing activities for the year ended 31 Dec 2014	(4 672 000)	-	-	-	(1 000 000)	(9 584 268)	5 222 471	(10 033 797)
Generated from financing activities for the year ended 31 Dec 2013	1 300 000	-	(330 000)	(13 135)	-	4 746 786	(741 920)	4 961 731

### Assets and liabilities

Reportable segment liabilities for the year ended 31 Dec 2014	1 392 496 591	145 402 597	436 012	8 577 965	1 432 895	3 022 432	(112 704 874)	1 438 663 620
Reportable segment liabilities for the year ended 31 Dec 2013	1 315 070 925	121 203 013	511 198	6 366 358	1 333 994	2 927 634	(94 591 073)	1 352 822 049

Total segment assets for the year ended 31 Dec 2014	1 518 413 377	224 215 589	2 841 965	19 229 814	10 745 290	58 562 723	(163 655 505)	1 670 353 252
Total segment assets for the year ended 31 Dec 2013	1 427 833 599	185 109 574	2 574 542	13 947 018	11 136 563	63 142 973	(145 077 258)	1 558 667 011

## 29. RELATED PARTIES

The ultimate parent of the Group is CBZ Holdings Limited. The Group has related party relationships with its shareholders who own, directly or indirectly, 20% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Group or have the power to exercise control over the management or financial and operating policies of the Group. The Group carried out banking and investment related transactions with various companies related to its shareholders, all of which were undertaken at arm's length and in compliance with the relevant Banking Regulations.

<b>31 December 2014</b>	<b>Gross limits US\$</b>	<b>Utilised limits US\$</b>	<b>Value of security US\$</b>	<b>Percentage of capital 2.5%</b>
<b>Loans to directors</b>	<b>5 861 816</b>	<b>5 436 334</b>	<b>5 901 674</b>	
<b>31 December 2013</b>				
<b>Loans to directors</b>	<b>10 729 585</b>	<b>8 896 793</b>	<b>12 521 122</b>	<b>4.95%</b>

The loans to directors' companies above include companies directly owned or significantly influenced by executive and non-executive directors and/or their close family members.

### Transactions with related parties

	<b>31 Dec 2014 US\$</b>	<b>31 Dec 2013 US\$</b>
Interest income	815 863	569 395
Commission and fee income	10 478	53 433
Other	-	2 367
	<b>826 341</b>	<b>625 195</b>

### Compensation of key management personnel of the Group

As required by IAS 24: Related Party Disclosure, the Board's view is that non-executive and executive directors constitute the management of the Group. Accordingly, key management remuneration is disclosed under note 5 to the financial statements.

## 30. EXCHANGE RATES AT 31 DECEMBER

	<b>2014 US\$</b>	<b>2013 US\$</b>
ZAR	11.5798	10.4310
GBP	1.5560	1.6479
EUR	1.2152	1.3790

## 31. RISK MANAGEMENT

### 31.1 Risk overview

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

### 31.2 Group risk management framework

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

In terms of risk governance, the Group Board has delegated authority to the following Group Board Committees whose membership consists of non – executive directors of the Group:





AUDITED  
FINANCIAL RESULTS  
for the Year Ended 31 December 2014



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

**IT& Business Development Committee** – oversees the harmonisation, adequacy, relevance and effectiveness of Group IT systems in supporting as well as delivering services to the Group's stakeholders. In addition, the committee looks at the integrity of the Group's management information systems.

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

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

31.3 Credit risk

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

Credit risk management framework

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

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

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

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

Credit mitigation

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

Non-performing loans and advances

The Group's credit policy also covers past due, default, impaired and non-performing loans and advances, as well as specific and portfolio impairments.

Past due refers to a loan or advance that exceeds its limit for fluctuating types of advances or is in arrears by 30 days or more.

Default is where, for example, a specific impairment is raised against a credit exposure as a result of a decline in the credit quality or where an obligation is past due for more than 90 days or an obligor has exceeded a sanctioned limit for more than 90 days.

Impaired loans and advances are defined as loans and advances where the Group has raised a specific provision for impairment. A specific impairment is raised where an asset is classified as substandard, doubtful or loss under the prudential lending guidelines issued by the regulatory authorities and where collateral held against the advance is insufficient to cover the total expected losses.

Portfolio impairment, on the other hand, applies under loans and advances that have not yet individually evidenced a loss event i.e. advances classified as “Pass” and “Special Mention” under prudential lending guidelines issued by the regulatory authorities. For such portfolios, the Group calculates general provisions.

31.3.1 (a) Credit risk exposure

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

	31 Dec 2014 US\$	31 Dec 2013 US\$
Balances with banks	44 056 863	116 791 825
Money market assets	240 402 431	175 131 880
Advances	1 125 938 280	1 028 118 742
Other assets	46 065 681	18 917 844
<b>Total</b>	<b>1 456 463 255</b>	<b>1 338 960 291</b>
Contingent liabilities	145 598 708	155 884 234
Commitments	450 465	241 204
<b>Total</b>	<b>146 049 173</b>	<b>156 125 438</b>

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

The Group held cash equivalents of US\$44 056 863 (excluding notes and coins) as at 31 December 2014, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

(b) Aging analysis of past due but not impaired loans (special mention loans):

	31 Dec 2014 US\$	31 Dec 2013 US\$
1 to 3 months	386 767 615	139 561 250

Past due but not impaired loans relate to loans in the special mention category. See definition of special mention category on note number 31.3.1

(c) Aging analysis of impaired loans (non-performing loans)

	31 Dec 2014 US\$	31 Dec 2013 US\$
3 to 6 months	69 765 678	44 457 364
6 months and above	17 328 643	2 528 329
<b>Total</b>	<b>87 094 321</b>	<b>46 985 692</b>

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

	31 Dec 2014 US\$	31 Dec 2014 US\$	31 Dec 2013 US\$	31 Dec 2013 US\$
	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)
Private	116 692 382	27 046 809	107 684 586	26 238 122
Agriculture	337 137 187	99 843 537	294 181 688	90 836 324
Mining	20 142 355	3 268 421	16 809 125	3 361 813
Manufacturing	97 172 797	52 818 285	96 973 194	54 327 514
Distribution	293 006 084	100 876 767	246 431 922	102 533 658
Construction	4 635 813	4 137 273	5 299 981	4 255 491
Transport	22 777 858	21 707 418	25 308 141	22 327 686
Communication	6 927 291	7 094 723	8 911 310	7 297 448
Services	271 335 148	17 498 135	243 360 650	17 528 754
Financial organisations	21 943 323	-	19 073 889	-
<b>Total</b>	<b>1 191 770 238</b>	<b>334 291 368</b>	<b>1 064 034 486</b>	<b>328 706 810</b>

	31 Dec 2014 US\$	31 Dec 2013 US\$
Collateral held		
Mortgage bonds	857 478 870	737 233 914
Cash cover	151 961 284	31 776 798
Other forms of security including Notarial General Covering Bonds (NGCBs) cessions, etc.	754 069 932	657 516 198
	<b>1 763 510 086</b>	<b>1 426 526 910</b>

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

	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>Against doubtful* and loss* grades</b>		
Property	4 005 082	350 000
Other	14 899 320	-
<b>Against substandard* grade</b>		
Property	24 058 503	21 948 578
Other	48 297 547	42 113 360
<b>Against special mention* grade</b>		
Property	195 688 144	62 921 656
Other	224 489 903	72 182 308
<b>Against normal* grade</b>		
Property	633 727 141	652 013 680
Other	618 344 446	574 997 328
	<b>1 763 510 086</b>	<b>1 426 526 910</b>

\*See definition on note 31.3.1

31.3(e) Credit Quality per Class of Financial Assets

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

DECEMBER 2014

	*Normal grade US\$	*Special mention grade US\$	*Sub- standard grade US\$	*Doubtful and loss grade US\$	Total US\$
<b>Advances</b>					
Agriculture	128 828 853	188 412 407	17 103 863	2 792 064	337 137 187
Manufacturing	43 683 018	42 718 195	10 771 584	-	97 172 797
Commercial	221 726 104	39 487 176	7 106 768	3 015 100	271 335 148
Individuals and households	92 915 108	21 283 841	1 939 148	554 285	116 692 382
Mining	3 381 257	14 645 923	2 115 175	-	20 142 355
Distribution	188 279 311	68 324 290	28 884 124	7 518 359	293 006 084
Construction	1 001 724	3 435 570	198 519	-	4 635 813
Transport	9 929 313	7 753 213	1 646 497	3 448 835	22 777 858
Communication	6 927 291	-	-	-	6 927 291
Financial services	21 236 323	707 000	-	-	21 943 323
	<b>717 908 302</b>	<b>386 767 615</b>	<b>69 765 678</b>	<b>17 328 643</b>	<b>1 191 770 238</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 US\$145 598 708.

DECEMBER 2013

	*Normal grade US\$	*Special mention grade US\$	*Sub- standard grade US\$	*Doubtful and loss grade US\$	Total US\$
<b>Advances</b>					
Agriculture	219 956 497	69 137 561	4 228 769	858 861	294 181 688
Manufacturing	77 912 512	6 705 548	12 355 134	-	96 973 194
Commercial	226 094 370	10 742 019	5 617 567	906 694	243 360 650
Individuals and households	89 380 436	10 787 074	7 517 076	-	107 684 586
Mining	14 283 064	2 517 508	8 553	-	16 809 125
Distribution	200 327 643	34 057 912	11 336 928	709 439	246 431 922
Construction	4 959 466	189 235	151 280	-	5 299 981
Transport	16 588 356	5 424 393	3 242 057	53 335	25 308 141
Communication	8 911 310	-	-	-	8 911 310
Financial services	19 073 889	-	-	-	19 073 889
	<b>877 487 543</b>	<b>139 561 250</b>	<b>44 457 364</b>	<b>2 528 329</b>	<b>1 064 034 486</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 US\$155 884 234.

Allowances for impairment

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

Write-offs

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

31.3.1 Credit quality definitions

Normal grade

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

Special mention grade

- An asset is classified as special mention,
- (i) if the asset in question is past due for more than 30 days but less than 90 days; or
  - (ii) although currently protected, exhibits potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the institution's position at some future date, for example, where:
    - the asset in question cannot be properly supervised due to an inadequate loan agreement; or
    - the condition or control of the collateral for the asset in question is deteriorating; or
    - the repayment capacity of the obligor is jeopardised because of deteriorating economic conditions or adverse trends in the obligor's financial position; or
  - there is an unreasonably long absence of current and satisfactory financial information or inadequate collateral documentation in regard to the asset:
- Provided that, generally, a loan or advance shall require special mention only if its risk potential is greater than that under which it was originally granted.

Substandard grade

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

Doubtful

- An asset is classified as doubtful,
- (i) if the asset in question is past due for more than 180 days but less than 360 days; or
  - (ii) exhibits all the weaknesses of a substandard asset and, in addition, is not well-secured by reason of the fact that collection in full, on the basis of currently existing facts, is highly improbable, but the actual amount of the loss is indeterminable due to pending events that have a more than reasonable prospect of mitigating the loss, such as a proposed merger, acquisition or liquidation, a capital injection, perfecting liens on additional collateral, refinancing plans, new projects or asset disposal.





**Loss:**  
An asset is classified as a loss,  
(i) if the asset in question is past due for more than 360 days, unless such asset is well secured and legal action has actually commenced which is expected to result in the timely realisation of the collateral or enforcement of any guarantee relating to the asset; or  
(ii) if the asset had been characterised as doubtful on account of any pending event , and the event concerned did not occur within 360 days, whether or not the event is still pending thereafter; or  
(iii) if the asset is otherwise considered uncollectible or of such little value that its continuance as an asset is not warranted.

31.3.2 Market risk

This is the risk of loss under both the banking book and or trading book arising from unfavourable changes in market 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 strategic business units (SBUs) if not properly managed. The Group's exposure to market risk arises mainly from customer driven transactions.

31.3.3 Group market risks management framework

To manage these risks, there is oversight at Group Board level through the Group Board Risk Management Committee, which covers Asset and Liability Management processes through 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 risks strategies for their respective SBU and Executive Management implements policy and track performance regularly against set benchmarks through use of daily liquidity position reports, investment portfolio mix, cash flow analysis, liquidity matrix analysis, liquidity gap analysis and liquidity simulations to evaluate ability of the SBU to withstand stressed liquidity situations.

31.4 Liquidity risk

Liquidity relates to the Group's ability to fund its growth in assets and to meet obligations as they fall due without incurring unacceptable losses. The Group 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 Strategic business units relating to levels of wholesale funding, retail funding, loans to deposit ratio, counter- party exposures as well as prudential liquidity ratio.

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

31.4.1 Gap analysis

LIQUIDITY PROFILE AS AT 31 DECEMBER 2014

	Demand US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 Months US\$	1 to 5 years US\$	5 years and above US\$	Total US\$
<b>Assets</b>							
Advances	548 710 482	35 045 651	21 285 311	208 199 408	157 355 066	155 342 362	1 125 938 280
Balances with banks and cash	73 296 010	-	-	-	-	-	73 296 010
Investment in other financial assets	15	-	-	248 181	7 629 967	-	7 878 163
Money market assets	24 010 837	72 768 110	1 727 933	4 395 084	137 500 467	-	240 402 431
Financial guarantees	1 402 000	2 092 367	5 502 381	1 821 960	123 100 000	11 680 000	145 598 708
Current tax receivable	1 009	1 489 382	-	-	1 490 391	-	1 490 391
Other liquid assets	756 602	41 371 164	-	3 937 915	-	-	46 065 681
<b>Total</b>	<b>648 176 955</b>	<b>152 766 674</b>	<b>28 515 625</b>	<b>218 602 548</b>	<b>425 585 500</b>	<b>167 022 362</b>	<b>1 640 669 664</b>
<b>Liabilities</b>							
Deposits	602 465 271	100 964 340	57 606 556	308 929 280	317 679 170	29 286 260	1 416 930 877
Current tax payable	-	165 147	-	-	-	-	165 147
Insurance liabilities	30 287	802 648	-	4 301 783	-	-	5 134 718
Other liabilities	415 287	10 765 980	333 460	-	-	-	11 514 727
Financial guarantees	1 402 000	2 092 367	5 502 381	1 821 960	123 100 000	11 680 000	145 598 708
<b>Total</b>	<b>604 312 845</b>	<b>114 790 482</b>	<b>63 442 397</b>	<b>315 053 023</b>	<b>440 779 170</b>	<b>40 966 260</b>	<b>1 579 344 177</b>
<b>Liquidity gap</b>	<b>43 864 110</b>	<b>37 976 192</b>	<b>(34 926 772)</b>	<b>(96 450 475)</b>	<b>(15 193 670)</b>	<b>126 056 102</b>	<b>61 325 487</b>
<b>Cumulative liquidity gap</b>	<b>43 864 110</b>	<b>81 840 302</b>	<b>46 913 530</b>	<b>(49 536 945)</b>	<b>(64 730 615)</b>	<b>61 325 487</b>	<b>61 325 487</b>

LIQUIDITY PROFILE AS AT 31 DECEMBER 2013

	Demand US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 Months US\$	1 to 5 years US\$	5 years and above US\$	Total US\$
<b>Assets</b>							
Advances	588 794 298	12 677 692	8 725 613	124 159 130	175 199 449	118 562 560	1 028 118 742
Balances with banks and cash	60 886 163	91 725 844	-	-	-	-	152 612 007
Investment in other financial assets	20	-	288 076	-	11 481 118	28 564	11 797 778
Money market assets	85 506 749	24 403 863	18 261 279	40 000 000	6 959 989	-	175 131 880
Insurance assets	994 917	122 900	2 418 857	70 000	-	-	3 606 674
Financial guarantees	-	-	-	155 884 234	-	-	155 884 234
Other liquid assets	637 967	18 917 844	43 785	-	-	-	19 599 596
<b>Total</b>	<b>736 820 114</b>	<b>147 848 143</b>	<b>29 737 610</b>	<b>320 113 364</b>	<b>193 640 556</b>	<b>118 591 124</b>	<b>1 546 750 911</b>
<b>Liabilities</b>							
Deposits	805 831 152	192 584 821	121 254 263	102 362 566	89 710 470	20 820 983	1 332 564 255
Current tax payable	-	1 956 968	-	-	-	-	1 956 968
Insurance liabilities	34 108	425 727	3 159 311	-	-	-	3 619 146
Other liabilities	443 189	1 711 129	8 330 198	-	-	-	10 484 516
Financial guarantees	-	-	-	155 884 234	-	-	155 884 234
<b>Total</b>	<b>806 308 449</b>	<b>196 678 645</b>	<b>132 743 772</b>	<b>258 246 800</b>	<b>89 710 470</b>	<b>20 820 983</b>	<b>1 504 509 119</b>
<b>Liquidity gap</b>	<b>(69 488 335)</b>	<b>(48 830 502)</b>	<b>(103 006 162)</b>	<b>61 866 564</b>	<b>103 930 086</b>	<b>97 770 141</b>	<b>42 241 792</b>
<b>Cumulative liquidity gap</b>	<b>(69 488 335)</b>	<b>(118 318 837)</b>	<b>(221 324 999)</b>	<b>(159 458 435)</b>	<b>(55 528 349)</b>	<b>42 241 792</b>	<b>42 241 792</b>

The table above shows the undiscounted cash flows of the Group's non-derivative on and off balance sheet financial assets and liabilities on the basis of their earliest possible contractual maturity and the related 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 SBUs carry out static statement of financial position analysis to track statement of financial position growth drivers, the pattern of core banking deposits, statement of financial position structure, levels and direction of the SBU's maturity mismatch and related funding or liquidity gap. The Asset and Liability Management Committee (ALCO) of the respective SBU comes up with strategies through its monthly meetings to manage these liquidity gaps.

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

	CBZ Bank Limited
	%
At 31 December 2013	32
At 31 December 2014	35
Average for the period	31
Maximum for the period	35
Minimum for the period	30

31.5 Interest rate risk

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

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

31.5.1 Interest rate repricing

31 December 2014

	Demand US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Non-interest bearing US\$	Total US\$
<b>Assets</b>								
Balance with banks and cash	73 296 010	-	-	-	-	-	-	73 296 010
Money market assets	24 010 837	72 768 110	1 727 933	4 395 084	137 500 467	-	-	240 402 431
Advances	548 710 481	35 045 652	21 285 311	208 199 408	157 392 983	155 304 445	-	1 125 938 280
Insurance assets	-	-	-	-	-	-	4 151 998	4 151 998
Other assets	-	-	-	-	-	-	91 315 003	91 315 003
Investment in other financial assets	-	-	-	-	7 629 967	-	5 462 918	13 092 885
Investment properties	-	-	-	-	-	-	25 161 306	25 161 306
Property and equipment	-	-	-	-	-	-	76 950 172	76 950 172
Deferred taxation	-	-	-	-	-	-	17 215 314	17 215 314
Intangible assets	-	-	-	-	-	-	1 339 462	1 339 462
Current tax receivable	-	-	-	-	-	-	1 490 391	1 490 391
<b>Total assets</b>	<b>646 017 328</b>	<b>107 813 762</b>	<b>23 013 244</b>	<b>212 594 492</b>	<b>302 523 417</b>	<b>155 304 445</b>	<b>223 086 564</b>	<b>1 670 353 252</b>
<b>Equity and liabilities</b>								
Deposits	602 465 271	100 964 340	57 606 556	308 929 280	317 679 170	29 286 260	-	1 416 930 877
Insurance liabilities	-	-	-	-	-	-	5 134 718	5 134 718
Life fund	-	-	-	-	-	-	2 311 493	2 311 493
Other liabilities	-	-	-	-	-	-	11 514 727	11 514 727
Deferred taxation	-	-	-	-	-	-	2 606 658	2 606 658
Current tax payable	-	-	-	-	-	-	165 147	165 147
Equity and reserves	-	-	-	-	-	-	231 689 632	231 689 632
<b>Total equity and liabilities</b>	<b>602 465 271</b>	<b>100 964 340</b>	<b>57 606 556</b>	<b>308 929 280</b>	<b>317 679 170</b>	<b>29 286 260</b>	<b>253 422 375</b>	<b>1 670 353 252</b>

<b>Interest rate repricing gap</b>	<b>43 522 057</b>	<b>6 849 422</b>	<b>(34 593 312)</b>	<b>(96 334 788)</b>	<b>(15 155 753)</b>	<b>126 018 185</b>	<b>(30 335 811)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>43 522 057</b>	<b>50 401 479</b>	<b>15 808 167</b>	<b>(80 526 621)</b>	<b>(95 682 374)</b>	<b>30 335 811</b>	<b>-</b>	<b>-</b>

31 December 2013

	Demand US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Non-interest bearing US\$	Total US\$
<b>Assets</b>								
Balance with banks and cash	60 886 162	91 725 845	-	-	-	-	-	152 612 007
Money market assets	85 506 749	24 403 863	18 261 279	40 000 000	6 959 989	-	-	175 131 880
Advances	588 794 297	12 677 692	8 725 613	124 159 130	175 199 449	118 562 561	-	1 028 118 742
Insurance assets	-	-	-	-	-	-	3 980 123	3 980 123
Other assets	-	-	-	-	-	-	71 078 468	71 078 468
Investment in other financial assets	-	-	-	-	7 628 032	-	4 169 746	11 797 778
Investment properties	-	-	-	-	-	-	21 849 043	21 849 043
Property and equipment	-	-	-	-	-	-	76 444 894	76 444 894
Deferred taxation	-	-	-	-	-	-	1 603 965	1 603 965
Intangible assets	-	-	-	-	-	-	16 050 111	16 050 111
<b>Total assets</b>	<b>735 187 208</b>	<b>128 807 400</b>	<b>26 986 892</b>	<b>164 159 130</b>	<b>189 787 470</b>	<b>118 562 561</b>	<b>195 176 350</b>	<b>1 558 667 011</b>
<b>Equity and liabilities</b>								
Deposits	805 831 152	192 584 821	121 254 263	102 362 566	89 710 470	20 820 983	-	1 332 564 255
Insurance liabilities	-	-	-	-	-	-	3 619 146	3 619 146
Life fund	-	-	-	-	-	-	1 614 683	1 614 683
Other liabilities	-	-	-	-	-	-	10 485 516	10 485 516
Deferred taxation	-	-	-	-	-	-	2 581 481	2 581 481
Current tax payable	-	-	-	-	-	-	1 956 968	1 956 968
Equity and reserves	-	-	-	-	-	-	205 844 962	205 844 962
<b>Total equity and liabilities</b>	<b>805 831 152</b>	<b>192 584 821</b>	<b>121 254 263</b>	<b>102 362 566</b>	<b>89 710 470</b>	<b>20 820 983</b>	<b>226 102 756</b>	<b>1 558 667 011</b>

<b>Interest rate repricing gap</b>	<b>(70 643 944)</b>	<b>(63 777 421)</b>	<b>(94 267 371)</b>	<b>61 796 564</b>	<b>100 077 000</b>	<b>97 741 578</b>	<b>(30 926 406)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(70 643 944)</b>	<b>(134 421 365)</b>	<b>(228 688 736)</b>	<b>(166 892 172)</b>	<b>(66 815 172)</b>	<b>30 926 406</b>	<b>-</b>	<b>-</b>

31.6 Exchange rate risk

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

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

At 31 December 2014, 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\$136 616 higher or lower respectively than the reported position. This arises as a result of the increase or decrease in the fair value of the underlying assets and liabilities denominated in foreign currencies. The foreign currency position for the Group as at 31 December 2014 is as below:

Foreign currency position as at 31 December 2014

Position expressed in US\$

	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	73 296 010	62 742 743	9 251 286	656 381	645 600
Money market assets	240 402 431	240 402 431	-	-	-
Advances	1 125 938 280	1 125 386 988	15 829	366	535 097
Insurance assets	4 151 998	4 151 998	-	-	-
Other assets	91 315 003	91 010 238	187 147	59 609	58 009
Investment in equities	13 092 885	12 949 242	-	-	143 643
Investment properties	25 161 306	25 161 306	-	-	-
Property and equipment	76 950 172	76 874 063	-	-	76 109
Deferred taxation	17 215 314	17 215 314	-	-	-
Intangible assets	1 339 462	1 339 462	-	-	-
Current tax receivable	1 490 391	1 490 391	-	-	-
<b>Total assets</b>	<b>1 670 353 252</b>	<b>1 658 724 176</b>	<b>9 454 262</b>	<b>716 356</b>	<b>1 458 458</b>









# AUDITED FINANCIAL RESULTS

for the Year Ended 31 December 2014



Group Board Member	Subsidiary Board Membership
Wilde, R. V.	Member of the CBZ Bank Limited Board
Bere, T.	Member of the CBZ Asset Management Board
Pasi, R.	Member of the CBZ Bank Limited Board
Mugamu, E.	Chairman of the CBZ Bank Limited Board
Nhamo, R.	Chairperson of the CBZ Insurance Limited Board

## Analysis of the Committees

### Audit & Finance

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

The functions of the Committee include:

- Review of the company's financial statements
- Consideration of reports from the external auditors identifying any accounting or judgmental issues requiring its attention;
- Approval of the audit plans for the external and internal auditors;
- Consideration of reports from the Group Internal Audit on the results of internal audit reviews, significant findings, management action plans and timeliness of resolution; and
- Consideration of the external auditors' performance.

### Risk Management & Compliance

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

The functions of the Committee include:

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

### Human Resources & Remuneration

The Committee is responsible for the development and implementation of the Group's remuneration philosophy and policy and oversight of the compensation of Executive Directors of the Group. The Committee recommends non-executive directors' fees for review by the Board. The Committee also sits as a Nomination Committee and deals with succession planning matters across the Group.

During the Year the Committee's work included:

- Implementation of programmes to strengthen the safety, health and wellness culture; and
- Approval of the Group's Human Resources and Remuneration Philosophy

### IT & Business Development

The Role of the Committee is to assist the Board in the discharge of its duties relating to -the oversight of strategic and tactical investment and business opportunities and the planning, management and organisation of Information, Communications and Technology.

During the year some of the committee's work included

- Review of the company's IT Governance structures;
- Approval of the Group IT Strategic Plan;

### Board Meetings

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

The Board agenda and meeting structure focuses on strategy, performance monitoring, governance and related matters.This ensures that the board's time and energy are appropriately applied. Directors may propose additional matters for discussion at board meetings.

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

### Board Remuneration

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

### Board Evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and each director. The Board, led by the Chairman, uses a detailed questionnaire, completed by each director, as the basis of these evaluations. This evaluation is aimed at determining how the board's effectiveness can be improved. The evaluation process is governed by the Reserve Bank of Zimbabwe which is ultimately the custodian of the Board Evaluation Report in line with its Corporate Governance Guidelines.

### Succession Planning

Succession planning is an important focus area at board, executive and senior management levels. 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.

Our Board contains individuals with diverse skills, knowledge and experiences and this provides effective board dynamics. The Board continues to focus on the current and future composition of the Board and its committees and key factors include technical skills, gender and diversity of perspective.

## STRATEGIC LEADERSHIP

The strategic leadership of the company is the responsibility of the Board, comprising of two executive directors and nine independent non-executive directors as at 31 December 2014.

The Board manages the Company through a formal schedule of matters reserved for its decision. These include overall management of the Company; approval of the company's strategic plans; approval of the Company's operating and capital expenditure budgets; approval of the Annual Report and Financial Statements, material agreements, audit and risk management, remuneration, and corporate responsibility.

### Internal Financial Control

It is the responsibility of the Board to ensure that effective financial controls are implemented in the Group. Internal controls focus on critical risk areas and are based on established policies and procedures. Adequate segregation of duties are in place to enhance the effectiveness of these controls. The Board monitors the effectiveness of these controls through reviews by the Audit and Finance Committee and independent evaluation by the external auditors.

### Financial Reporting

The Directors are responsible for ensuring that the Group maintains adequate records for reporting on the financial position of the Group and the results of its activities with accuracy and reliability. Financial reporting procedures are consistently applied within the Group and all financial and related non-financial 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 Interim Financial Reports.

### Compliance

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.

As at 31 December 2014, the Group was not involved in any material litigation, disputes or arbitration proceedings which may have had a significant effect on its financial position.

### Shareholders

The Board's primary role is to promote the success of the Company and the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group. The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood. This is achieved principally through the Annual Report and the AGM. In addition, a range of corporate information, including all Company announcements and presentations, is available to investors on the Company's website.

## BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER

The Boards of Directors of the various units as at 31 December 2014 were constituted as tabulated below:

CBZ Holdings Limited	CBZ Bank Limited	CBZ Asset Management	CBZ Insurance	CBZ Life Limited
Wilde, R V*	Mugamu, E*	Zirobwa, R*	Nhamo, R*	Dawes, R W*
Mugamu, E	Harnden, S G R	Naik, B S	Muchenje, W (Dr)****	Masunda, V (Dr)
Bere, T	Mabeza-Chimedza R	Harris, I H	Mundangepfupfu P*****	Zizhou, F B
Dernawi, F M	Pasi, R	Bere, T	Mangudya, J P***	Mutambara, D**
Lowe, A	Chirimuuta, F B	Nyemudzo, N	Nyemudzo, N	Mangudya, J P***
Nhamo, R	Wilde, R V	Chimutsa, C	Chimutsa, C	Nyemudzo, N
Pasi, R	Madzonga, P S	Smith, J F****	Mureriwa, N****	Chimutsa, C
Taputaira, G	Whata, P S	Mangudya, J P***		Mureriwa, N****
Mutambara, D**	Mangudya, J P***	Muzadzi, T****		
Mangudya, J P***	Nyemudzo, N			
Nyemudzo, N****	Chimutsa, C			
Chimutsa, C****	Zimunya, P****			
	Mudondo, M T****			

**KEY** \* Board Chairman \*\*Retired as at 31 May 2014 \*\*\* Retired as at 30 April 2014 \*\*\*\* Executive Director \*\*\*\*\* Death of Muchenje - Deceased 21 August 2014 \*\*\*\*\*Retirement of Mundangepfupfu - Retired as at 30 September 2014

The detailed attendance of members of the Board at board meetings is disclosed in the table below;

This table outlines details of Board and Committee member's attendance of Board and Board Committee meetings for 2014

## CBZ HOLDINGS LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to December 2014)

	Audit & Finance	Risk Management & Compliance	Human Resources & Remuneration	IT & Business Development	Main Board
Number of Meetings Held	4	4	4	4	4
Bere, T	**	3	3	**	3
Dernawi, F M	**	4	**	4	4
Lowe, A	*	4	**	**	3
Mugamu, E	4	**	**	**	4
Mutambara, D	**	**	1	1	1
Nhamo, R	**	**	4	**	4
Pasi, R	4	4	**	**	4
Taputaira, G	**	**	**	4	4
Wilde, R V	**	**	4	**	4
Mangudya, J P*	1	1	1	1	1
Nyemudzo, N*	4	4	3	3	4
C. Chimutsa*	3	3	**	3	3

### KEY

\* Executive directors

\*\* Not a member

### Meeting

AUDIT AND FINANCE  
RISK MANAGEMENT & COMPLIANCE  
HUMAN RESOURCES & REMUNERATION  
IT & BUSINESS DEVELOPMENT  
MAIN BOARD

### Number of meetings held

4  
4  
4  
4  
4

## BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to December 2014)

	ALCO	LENDING	LOANS REVIEW	MAIN BOARD
R V Wilde	4	3	**	4
S G R Harnden	**	**	4	3
J P Mangudya	1	1	1	1
N Nyemudzo	4	3	3	4
C Chimutsa	3	3	4	3
R Mabeza-Chimedza	3	3	**	3
R Pasi	4	3	**	3
E Mugamu	**	**	4	4
F B Chirimuuta	**	2	**	3
P S Whata	4	**	**	4
P S Madzonga	**	**	4	4
*P Zimunya	4	3	4	4
*M Mudondo	4	3	3	3

### KEY

\* Executive directors

\*\* Not a committee member

### Meeting

ALCO  
LENDING  
LOANS REVIEW  
MAIN BOARD

### Number of meetings held

4  
3  
4  
4

## CBZ ASSET MANAGEMENT (PRIVATE) LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to December 2014)

	Audit & Compliance	Investments & Risk	Main Board
Meetings held	2	4	4
Mrs. Naik	**	4	4
Mr. Jones	2	4	4
Mr. Harris	2	4	4
Dr. Mangudya	1	1	1
Mr. Zirobwa	**	**	4
Mr. Bere	**	4	4
Mr. Nyemudzo	2	4	4
Mr. Chimutsa	1	1	2
Mr. Smith*	2	4	4
Mr. Muzadzi*	**	4	4

### KEY

\* - Executive directors

\*\* - Not a member

### Meeting

AUDIT & COMPLIANCE  
INVESTMENTS & RISK  
MAIN BOARD

### Number of meetings held

2  
4  
4

## CBZ LIFE LIMITED BOARD ATTENDANCE REGISTER (January to December 2014)

	MAIN
R Dawes	4
F B Zizhou	4
V Masunda (Dr)	4
D Mutambara	2
J P Mangudya (Dr)	1
N Nyemudzo	4
C Chimutsa	2
*N Mureriwa	4

### KEY

\* - Executive directors

\*\* – Did not attend

### Meeting

MAIN BOARD

### Number of meetings held

4

## ADDITIONAL SUPPORT TO THE BOARD

### Group Legal Corporate Secretary

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

The Group Secretary oversees the induction of new directors and assists the Group Chairman and the Group Chief Executive to determine the board agendas, as well as to formulate governance and Board-related issues.

## STATEMENT OF COMPLIANCE

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

## By order of the Board

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

25 February 2015





# AUDITED FINANCIAL RESULTS

for the Year Ended 31 December 2014



## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	Notes	31 Dec 2014 US\$	31 Dec 2013 US\$
Interest income	2	171 194 359	154 672 001
Interest expense	2	(100 612 451)	(75 173 779)
<b>Net interest income</b>		<b>70 581 908</b>	<b>79 498 222</b>
Non-interest income	3	46 234 367	36 937 400
<b>Total income</b>		<b>116 816 275</b>	<b>116 435 622</b>
Operating expenditure	4	(79 789 136)	(74 808 925)
<b>Operating income</b>		<b>37 027 139</b>	41 626 697
Charge for impairment on advances	10.3	(16 865 201)	(18 339 069)
<b>Profit before taxation</b>		<b>20 161 938</b>	<b>23 287 628</b>
Taxation	5	(3 906 350)	(5 759 942)
<b>Profit for the year after taxation</b>		<b>16 255 588</b>	<b>17 527 686</b>
<b>Other comprehensive income</b>			
Gains on property revaluations	20	2 057 281	1 702 888
Deferred tax relating to components of other comprehensive income	20	(486 757)	(459 506)
Other comprehensive income for the year net of tax	20	<b>1 570 524</b>	<b>1 243 382</b>
<b>Total comprehensive income for the year</b>		<b>17 826 112</b>	<b>18 771 068</b>
<b>Profit attributable to:</b>			
Equity holders of parent		16 255 588	17 527 686
<b>Total comprehensive income attributed to:</b>			
Equity holders of parent		17 826 112	18 771 068
<b>Earnings per share (cents):</b>			
Basic	6.5	3.18	3.42
Diluted	6.5	3.18	3.42
Headline	6.5	3.31	3.58

## STATEMENT OF FINANCIAL POSITION as at 31 December 2014

	Notes	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>ASSETS</b>			
Balances with banks and cash	8	69 393 058	148 325 373
Money market assets	9	302 674 385	231 111 785
Advances	10	960 874 733	898 988 379
Other assets	11	107 297 353	76 946 779
Investment in other financial assets	12	8 082 173	7 800 238
Property and equipment	13	48 909 275	47 910 102
Investment properties	14	5 268 800	2 718 600
Intangible assets	15	362 337	777 176
Deferred taxation	16	14 069 925	13 255 167
Current tax receivable		1 481 338	-
<b>TOTAL ASSETS</b>		<b>1 518 413 377</b>	<b>1 427 833 599</b>
<b>LIABILITIES</b>			
Deposits	17	1 382 996 535	1 303 981 360
Other liabilities	18	9 500 056	9 187 466
Current tax payable		-	1 902 099
<b>Total liabilities</b>		<b>1 392 496 591</b>	<b>1 315 070 925</b>
<b>EQUITY AND RESERVES</b>			
Share capital	19	5 118 180	5 118 180
Share premium	19.1	16 721 711	11 198 956
Non-distributable reserve	19.2	-	5 522 755
Revaluation reserve	19.3	11 005 355	9 434 831
Revenue reserve	19.4	93 071 540	81 487 952
<b>Total equity and reserves</b>		<b>125 916 786</b>	<b>112 762 674</b>
<b>TOTAL LIABILITIES, EQUITY AND RESERVES</b>		<b>1 518 413 377</b>	<b>1 427 833 599</b>

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014

	Share capital US\$	Share premium US\$	Non- distributable reserve US\$	Revaluation reserve US\$	Revenue reserve US\$	Total US\$
<b>2013</b>						
Balance at the beginning of the year	5 118 180	11 198 956	5 522 755	8 191 449	65 260 266	95 291 606
Total comprehensive income	-	-	-	1 243 382	17 527 686	18 771 068
Dividends	-	-	-	-	(1 300 000)	(1 300 000)
<b>Balance at the end of the year</b>	<b>5 118 180</b>	<b>11 198 956</b>	<b>5 522 755</b>	<b>9 434 831</b>	<b>81 487 952</b>	<b>112 762 674</b>
<b>2014</b>						
Balance at the beginning of the year	5 118 180	11 198 956	5 522 755	9 434 831	81 487 952	112 762 674
Total comprehensive income	-	-	-	1 570 524	16 255 588	17 826 112
Dividends	-	-	-	-	(4 672 000)	(4 672 000)
Inter category transfer	-	5 522 755	(5 522 755)	-	-	-
<b>Balance at the end of the year</b>	<b>5 118 180</b>	<b>16 721 711</b>	<b>-</b>	<b>11 005 355</b>	<b>93 071 540</b>	<b>125 916 786</b>

## STATEMENT OF CASHFLOWS for the year ended 31 December 2014

		31 Dec 2014 US\$	31 Dec 2013 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		20 161 938	23 287 628
Non-cash items:			
Depreciation	13	4 895 294	3 603 458
Amortisation	15	594 323	573 269
Impairments on property, equipment	13	455 964	711 553
Impairments on land inventory	4	68 659	31 930
Fair value adjustment	14	107 678	26 400
Impairment on advances	10	16 865 201	18 339 069
Loss on sale of property and equipment	3	41 183	14 029
Unrealised gain on foreign currency positions	3	(1 128 909)	(2 013 602)
<b>Operating profit before changes in operating assets and liabilities</b>		<b>42 061 331</b>	<b>44 573 734</b>
<b>Changes in operating assets and liabilities</b>			
Deposits		80 144 084	302 565 708
Advances		(89 697 274)	(150 803 275)
Money market assets		(71 562 600)	(174 106 892)
Other assets		(21 907 360)	(21 160 631)
Other liabilities		312 590	(2 675 561)
		<b>(102 710 560)</b>	<b>(46 180 651)</b>
Corporate tax paid		(8 591 302)	(17 181 610)
<b>Net cash outflow from operating activities</b>		<b>(69 240 531)</b>	<b>(18 788 527)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net change in investments		(281 935)	-
Proceeds on disposal of property and equipment		418 632	794 665
Purchase of property and equipment	13	(5 097 747)	(8 188 559)
Purchase of intangible assets	15	(58 734)	(125 000)
<b>Net cash outflow from investing activities</b>		<b>(5 019 784)</b>	<b>(7 518 894)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	7	(4 672 000)	(1 300 000)
<b>Net decrease in balances with banks and cash</b>		<b>(78 932 315)</b>	<b>(27 607 421)</b>
Balances with banks and cash at the beginning of the year		148 325 373	175 932 794
<b>Balances with banks and cash at the end of the year</b>		<b>69 393 058</b>	<b>148 325 373</b>

## NOTES TO THE FINANCIAL RESULTS for the year ended 31 December 2014

### 1. INCORPORATION 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, mortgage finance, commercial banking, investment banking, small to medium enterprise financing, treasury management, wealth management, agribusiness and custodial services.

### 2. NET INTEREST INCOME

#### Interest income

Bankers acceptances  
Overdrafts  
Loans  
Staff loans

Short-term money market assets  
Other investments

#### Interest expense

Savings deposits  
Call deposits  
Money market deposits  
Lines of credit

#### Net interest income

### 3. NON-INTEREST INCOME

Fair value adjustment on investment property  
Net income from foreign currency dealings  
Unrealised gains on foreign currency  
Commission and fee income  
Loss on sale of property and equipment  
Other operating income

### 4. OPERATING EXPENDITURE

Staff costs  
Administration expenses  
Audit fees  
Depreciation  
Amortisation of intangible assets  
Impairment on property and equipment  
Impairment on land inventory

Included in staff costs are pensions and contributions under the National Social Security Authority, a defined contribution fund and the Bank's separate trustee administered fund of US\$ 3 707 625 (2013:US\$ 3 147 586).

#### Remuneration of directors and key management personnel

Fees for services as directors  
Pension for past and present directors  
Salaries and other benefits

#### Operating leases

The following is an analysis of expenses related to operating leases  
Non cancellable leases are paid as follows:  
Less than 1 year  
Between 1 and 5 years

### 5. TAXATION

The following constitutes the major components of income tax expense recognised in the statement of comprehensive income.

#### Analysis of tax charge in respect of the profit for the year

Current income tax charge  
Deferred income tax  
**Income tax expense**

#### Tax rate reconciliation

Notional tax  
Aids levy  
Permanent differences  
Tax benefits  
Effective rate

### 6. EARNINGS PER SHARE

**6.1** Basic earnings per share is calculated by dividing profit after tax 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 is calculated by dividing the profit after tax 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 that would be issued on the conversion of all the dilutive potential ordinary shares into the ordinary shares.

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

The following notes, 6.2 and 6.3, reflect the respective earnings and share data used in the basic and diluted earnings per share computations:

#### Earnings

Basic earnings  
Diluted earnings  
Headline earnings

### 6.2 Reconciliation of numerators used for basic and diluted earnings per share computation:

Basic earnings  
Effect of potential dilutive transactions  
Diluted earnings





		31 Dec 2014		31 Dec 2013					
		US\$	%	US\$	%				
10.5	<b>Sectoral Analysis</b>								
	Private	62 048 617	6	49 964 036	5				
	Agriculture	302 238 990	30	275 571 316	30				
	Mining	19 230 510	2	16 140 238	2				
	Manufacturing	94 648 682	9	95 131 867	10				
	Distribution	233 317 898	23	211 092 444	23				
	Construction	3 363 433	0	4 409 858	0				
	Transport	18 605 789	2	21 271 938	2				
	Communication	6 927 291	1	8 752 982	1				
	Services	260 555 773	25	231 056 358	25				
	Financial organisations	21 679 911	2	19 072 064	2				
		<b>1 022 616 894</b>	<b>100</b>	<b>932 463 101</b>	<b>100</b>				
11.	<b>OTHER ASSETS</b>								
	Intercompany balances	28 634 789		14 657 088					
	Land inventory	66 434 423		58 253 810					
	Prepayments	1 277 333		1 492 828					
	Receivables	10 950 808		2 543 053					
		<b>107 297 353</b>		<b>76 946 779</b>					
12.	<b>INVESTMENTS IN OTHER FINANCIAL ASSETS</b>								
	Investments in equity instruments	452 206		172 206					
	Investments in other instruments	7 629 967		7 628 032					
		<b>8 082 173</b>		<b>7 800 238</b>					
	At cost	452 206		172 206					
	At amortised cost	7 629 967		7 628 032					
		<b>8 082 173</b>		<b>7 800 238</b>					
	<b>Portfolio analysis</b>								
	Available-for-sale	452 206		172 206					
	Loans and receivables	7 629 967		7 628 032					
		<b>8 082 173</b>		<b>7 800 238</b>					
13.	<b>PROPERTY AND EQUIPMENT</b>								
		<b>Land</b>	<b>Buildings</b>	<b>Leasehold</b>	<b>Motor</b>	<b>Computers</b>	<b>Work in</b>	<b>Total</b>	<b>Total</b>
		<b>US\$</b>	<b>US\$</b>	<b>improvements</b>	<b>vehicles</b>	<b>and equipment</b>	<b>progress</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
				<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>COST</b>									
Opening balance	3 187 290	28 828 000	506 203	2 979 555	19 429 223	1 761 202	56 691 473	52 579 801	
Additions	-	953 298	93 708	1 001 147	2 588 723	460 871	5 097 747	8 188 559	
Revaluation reserve	586 710	(18 084)	-	-	-	-	568 626	1 089 454	
Impairment	-	(455 964)	-	-	-	-	(455 964)	(711 553)	
Disposals	-	-	-	(178 551)	(358 149)	(353 706)	(890 406)	(898 999)	
Transfers to non PPE assets	-	-	-	-	-	(344 782)	(344 782)	(3 555 789)	
Transfers	-	117 300	3 006	-	272 845	(393 151)	-	-	
<b>Closing balance</b>	<b>3 774 000</b>	<b>29 424 550</b>	<b>602 917</b>	<b>3 802 151</b>	<b>21 932 642</b>	<b>1 130 434</b>	<b>60 666 694</b>	<b>56 691 473</b>	
<b>ACCUMULATED DEPRECIATION</b>									
Opening balance	-	-	175 015	1 739 512	6 866 844	-	8 781 371	5 881 652	
Charge for the year	-	1 488 655	55 898	473 908	2 876 833	-	4 895 294	3 603 458	
Disposals	-	-	-	(142 027)	(288 564)	-	(430 591)	(90 305)	
Revaluation	-	(1 488 655)	-	-	-	-	(1 488 655)	(613 434)	
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>230 913</b>	<b>2 071 393</b>	<b>9 455 113</b>	<b>-</b>	<b>11 757 419</b>	<b>8 781 371</b>	
<b>Net book value</b>	<b>3 774 000</b>	<b>29 424 550</b>	<b>372 004</b>	<b>1 730 758</b>	<b>12 477 529</b>	<b>1 130 434</b>	<b>48 909 275</b>	<b>47 910 102</b>	
<b>Net book v alue (2013)</b>	<b>3 187 290</b>	<b>28 828 000</b>	<b>331 188</b>	<b>1 240 043</b>	<b>12 562 378</b>	<b>1 761 203</b>			
Properties were revalued on an open market basis by an independent professional valuer, Mabikacheche & Associates as at 31 December 2014 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. The revaluation of land and buildings entailed the following:									
In determining the market values of the subject properties, the following was considered:									
<ul style="list-style-type: none"><li>Comparable market evidence which comprised complete transactions as well as transactions where offers had been made but the transactions had not been finalised;</li><li>Professional judgement was exercised to take cognisance of the fact that properties in the transaction were not exactly comparable in terms of size, quality and location to the properties owned by the Bank;</li><li>The reasonableness of the market values of commercial properties so determined, per the above bullet, was assessed by reference to the properties in the transaction; and</li><li>The values per square metre of lettable space for both the subject properties and comparables were analysed.</li></ul>									
With regards to market values for residential properties, the comparison method was used. This method entails carrying out a valuation by directly comparing the subject property, which has been sold or rented out. The procedure was performed as follows:									
<ul style="list-style-type: none"><li>Surveys and data collection on similar past transactions;</li><li>Analysis of the collected data; and</li><li>Comparison of the analysis with the subject properties and then carrying out the valuation of the subject properties.</li></ul>									
Adjustments were made to the following aspects:									
<ul style="list-style-type: none"><li>Age of property - state of repair and maintenance</li><li>Aesthetic quality - quality of fixtures and fittings</li><li>Structural condition - location</li><li>Accommodation offered - size of land</li></ul>									
The maximum useful lives of property and equipment are as follows:									
<ul style="list-style-type: none"><li>Buildings 40 years</li><li>Motor vehicles 3-5 years</li><li>Leasehold improvements 10 years</li><li>Computer equipment 5 years</li><li>Furniture and fittings 10 years</li></ul>									
The carrying amount of buildings would have been US\$ 21 603 110 (2013: US\$21 086 438) had they been carried at cost.									
Property and equipment was tested for impairment through comparison with open market values determined by independent valuer.									
14.	<b>INVESTMENT PROPERTIES</b>	<b>31 Dec 2014</b>		<b>31 Dec 2013</b>					
		<b>US\$</b>		<b>US\$</b>					
	Opening balance	2 718 600		2 745 000					
	Fair value adjustment	(107 678)		(26 400)					
	Additions	2 657 878		-					
	<b>Closing balance</b>	<b>5 268 800</b>		<b>2 718 600</b>					
Investment properties are carried at fair value determined on an open market basis by an independent professional valuer as at 31 December 2014 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and the Real Estate Institute of Zimbabwe Standards. The basis of valuation is consistent with that detailed in note 13 to the financial statements.									
The rental income derived from investments properties amounted to US\$ nil with direct operating expenses amounting to US\$ nil.									
15	<b>INTANGIBLE ASSETS</b>	<b>31 Dec 2014</b>		<b>31 Dec 2013</b>					
		<b>US\$</b>		<b>US\$</b>					
	At cost	2 072 923		1 893 438					
	Accumulated amortisation and impairment	(1 710 586)		(1 116 262)					
		<b>362 337</b>		<b>777 176</b>					
	<b>Movement in intangible asset</b>								
	Opening balance	777 176		1 175 445					
	Additions	58 734		125 000					
	Transfers from property and equipment	120 750		50 000					
	Amortisation charge	(594 323)		(573 269)					
	<b>Closing balance</b>	<b>362 337</b>		<b>777 176</b>					





AUDITED  
FINANCIAL RESULTS  
for the Year Ended 31 December 2014



	31 Dec 2014 US\$	31 Dec 2013 US\$
16 DEFERRED TAXATION		
Deferred tax related to items charged or credited to statement of comprehensive income during the period is as follows:		
Revaluation of property and equipment	(486 757)	(459 506)
The deferred tax included in the statement of financial position and changes recorded in the income tax expense are as follows:		
Fair value adjustments	(38 116)	(1 320)
Prepayments	161 656	(575 460)
Impairment and provisions	3 690 712	645 778
Property and equipment	988 747	960 655
Tax claimable impairments	(4 908 545)	8 377 977
Other	1 407 061	(610 147)
	1 301 515	8 797 483
Add:		
Opening balance	13 255 167	4 917 190
Closing deferred tax balance	14 069 925	13 255 167

17. DEPOSITS		
Call deposits	23 671 484	10 437 881
Savings and other deposits	585 874 549	506 385 630
Money market deposits	532 377 171	484 174 802
Foreign lines of credit	228 430 191	292 418 180
Accrued interest	12 643 140	10 564 867
	1 382 996 535	1 303 981 360
Deposits by source		
Banks	62 558 182	37 647 610
Money market	502 762 516	461 792 904
Customers	587 400 245	507 916 828
Foreign lines of credit	230 275 592	296 624 018
	1 382 996 535	1 303 981 360
Deposit by type		
Retail	87 644 553	51 899 397
Corporate	499 755 692	456 017 431
Money market	565 320 698	499 440 514
Foreign lines of credit	230 275 592	296 624 018
	1 382 996 535	1 303 981 360

Foreign lines of credit relate to borrowings from a foreign bank or financial institution. These have an average tenure of 1.3 years with an average interest rate of 6.1 % and are secured by a variety of instruments which include liens over bank accounts, guarantees, treasury bills and sub borrower securities.

	31 Dec 2014 US\$	%	31 Dec 2013 US\$	%
Sectoral analysis				
Private	67 035 576	5	50 068 090	4
Agriculture	35 739 298	3	33 596 940	3
Mining	10 792 075	1	10 145 154	1
Manufacturing	77 836 630	6	124 403 603	10
Distribution	134 580 007	10	132 873 610	10
Construction	25 282 409	2	23 766 879	2
Transport	17 285 714	1	16 249 538	1
Communication	31 304 254	2	61 554 955	5
Services	422 807 044	30	306 563 443	23
Financial organisations	529 754 776	38	495 578 799	37
Investment organisations	30 578 752	2	49 180 349	4
	1 382 996 535	100	1 303 981 360	100
Maturity analysis				
Less than one month	580 139 174		790 916 957	
Between 1 and 3 months	100 956 440		192 580 921	
Between 3 months to 6 months	57 288 556		121 254 263	
Between 6 months and 1 year	308 717 280		102 362 566	
Between 1 year and 5 years	317 215 538		88 603 470	
More than 5 years	18 679 547		8 263 183	
	1 382 996 535		1 303 981 360	

Maturity analysis is based on the remaining period from 31 December 2014 to contractual maturity.

	31 Dec 2014 US\$	31 Dec 2013 US\$
18. OTHER LIABILITIES		
Revenue received in advance	3 126 047	1 061 483
Sundry creditors	5 404 974	7 207 258
Other suspense accounts	969 035	918 725
Total other liabilities	9 500 056	9 187 466

19. SHARE CAPITAL		
Authorised		
600 000 000 ordinary shares of \$0.01 each	6 000 000	6 000 000
Issued and fully paid		
511 817 951 ordinary shares of \$0.01 each	5 118 180	5 118 180
19.1 Share premium		
Opening balance	11 198 956	11 198 956
Transfer from non distributable reserve	5 522 755	-
Closing balance	16 721 711	11 198 956
19.2 Non-distributable reserve		
Opening balance	5 522 755	5 522 755
Transfer to share premium	(5 522 755)	-
Closing balance	-	5 522 755
19.3 Revaluation reserve		
Opening balance	9 434 831	8 191 449
Revaluation adjustments made during the year	1 570 524	1 243 382
Closing balance	11 005 355	9 434 831

19.4 Revenue reserves		
Opening balance	81 487 952	65 260 266
Profit for the year	16 255 588	17 527 686
Dividend paid	(4 672 000)	(1 300 000)
Closing balance	93 071 540	81 487 952

20. TAX EFFECTS RELATING TO COMPREHENSIVE INCOME		
Gross revaluation adjustment	2 057 281	1 702 888
Tax expense	(486 757)	(459 506)
Net revaluation adjustment	1 570 524	1 243 382
Total taxation	486 757	459 506

21. CATEGORIES OF FINANCIAL INSTRUMENTS

December 2014	At fair value through profit or loss US\$	Available for sale US\$	Loans and receivables US\$	Financial assets/ liabilities at amortised cost US\$	Total carrying amount US\$
Financial assets					
Balances with banks and cash	-	-	69 393 058	-	69 393 058
Money market assets	302 674 385	-	-	-	302 674 385
Advances	-	-	960 874 733	-	960 874 733
Investments in other financial assets	-	452 206	7 629 967	-	8 082 173
Other assets	-	-	40 571 149	-	40 571 149
Total	302 674 385	452 206	1 078 468 907	-	1 381 595 498
Financial liabilities					
Deposits	-	-	-	1 382 996 535	1 382 996 535
Other liabilities	-	-	-	9 500 056	9 500 056
Total	-	-	-	1 392 496 591	1 392 496 591

December 2013	At fair value through profit or loss US\$	Available for sale US\$	Loans and receivables US\$	Financial assets/ liabilities at amortised cost US\$	Total carrying amount US\$
Financial assets					
Balances with banks and cash	-	-	148 325 373	-	148 325 373
Money market assets	231 111 785	-	-	-	231 111 785
Advances	-	-	898 988 379	-	898 988 379
Investments in other financial assets	-	172 206	7 628 032	-	7 800 238
Other assets	-	-	18 315 481	-	18 315 481
Total	231 111 785	172 206	1 073 257 265	-	1 304 541 256
Financial liabilities					
Deposits	-	-	-	1 303 981 360	1 303 981 360
Other liabilities	-	-	-	9 187 466	9 187 466
Total	-	-	-	1 313 168 826	1 313 168 826

22. RELATED PARTY DISCLOSURES

The Bank is 100% owned by CBZ Holdings Limited. CBZ Properties (Private) Limited, CBZ Building Society, CBZ Asset Management (Private) Limited, CBZ Insurance (Private) Limited and CBZ Life (Private) Limited are related to CBZ Bank Limited through common shareholding.

The volumes of related party transactions and related income and expenses are as follows:

	Gross limits US\$	Utilised limits US\$	Value of security US\$	Percentage of capital
31 December 2014				
Loans to directors	3 935 000	3 758 936	3 853 812	2.80%
	3 935 000	3 758 936	3 853 812	2.80%
31 December 2013				
Loans to directors	6 773 217	7 077 119	8 465 350	6.09%
	6 773 217	7 077 119	8 465 350	6.09%

The loans to directors' companies above include companies directly owned or significantly influenced by executive and non-executive directors and/or their close family members.

	31 Dec 2014 US\$	31 Dec 2013 US\$
Interest income earned on loans and advances to directors and other related parties	614 243	738 173
Commission and fee income	10 278	5 211
	624 521	743 384
(b) Deposits from directors and key management personnel		
Closing balance	94 238	47 214
Interest expense on deposits from directors and key management personnel	191	498
(c) Balances with group companies		
Amounts due from group companies	101 970 702	77 731 807
Amounts due to group companies	10 691 490	15 521 217
Interest income on amounts due from group companies	6 783 594	3 009 712
Interest expense on amounts due to group companies	313 771	137 365
Non interest income from group companies	560 144	810 731
Operating expenditure from group companies	36 000	36 000

23. RISK MANAGEMENT

23.1 Risk overview

CBZ Bank Limited has continued to be guided by a desire to uphold a "High Risk Management and Compliance Culture" as one of its major strategic thrust which is embedded under clearly defined risk appetite in terms of the various key risk exposures. This approach has given direction to the Bank's overall strategic planning and policies. Through the CBZ Group risk management function, the Bank regularly carries out risk analysis through value at risk (VAR) assessment, stress testing as well as simulations to ensure that there is congruency or proper alignment between its strategic focus and its desired risk appetite.

23.2 Bank risk management framework

The Bank's risk management framework looks at enterprise wide risks and recognises that for effective risk management to take effect, it has to be structured in terms of acceptable appetite, defined responsibility, accountability and independent validation of set processes. Bank Management and staff are responsible for the management of the risks that fall within their organisational responsibilities. The CBZ Group Risk Management function is responsible for ensuring that the Bank's risk taking remain within the set risk benchmarks. The CBZ Group Internal Audit function continuously provides independent assurance on the adequacy and effectiveness of the deployed risk management processes. The CBZ Group Enterprise Wide Governance and Compliance Unit evaluates on the quality of compliance with policy, processes and governance structures.

23.3 Credit risk

23.3.1 Credit risk exposure

	31 Dec 2014 US\$	31 Dec 2013 US\$
Balances with banks	37 797 519	110 448 894
Money market assets	302 674 385	231 111 785
Advances	960 874 733	898 988 379
Other assets	40 571 149	18 315 481
Total	1 341 917 786	1 258 894 539
Contingent liabilities	145 184 766	155 582 869
Commitments	404 336	194 163
Total	145 589 102	155 777 032

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

The Bank held cash and cash equivalents of US\$37 797 519 (excluding notes and coins) as at 31 December 2014, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

23.3.2 Aging analysis of past due but not impaired loans (Special Mention Loans):

	31 Dec 2014 US\$	31 Dec 2013 US\$
1 to 3 months	365 897 428	130 861 868

Past due but not impaired loans relate to loans in the special mention category. (See defination on note number 31.3.1 of the CBZ Holdings Limited notes to the financial results)

23.3.3 Aging analysis of impaired loans (Non Performing Loans):

	31 Dec 2014 US\$	31 Dec 2013 US\$
3 to 6 months	68 185 848	43 236 337
6 months and above	15 993 319	2 528 329
Total	84 179 167	45 764 666

Past due and impaired loans relate to loans under the following asset classification classes: Substandard, Doubtful and Loss. (See defination on note number 31.3.1 of the CBZ Holdings Limited notes to the financial results)





**23.3.4** An industry sector analysis of the Bank's advances before and after taking into account collateral held is as follows:

	31 Dec 2014 US\$	31 Dec 2014 US\$	31 Dec 2013 US\$	31 Dec 2013 US\$
	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)
Private	62 048 617	22 310 311	49 964 036	22 859 184
Agriculture	302 238 990	99 843 537	275 571 316	90 836 324
Mining	19 230 510	3 268 421	16 140 238	3 361 813
Manufacturing	94 648 682	52 818 285	95 131 867	54 327 514
Distribution	233 317 898	100 914 683	211 092 444	102 533 658
Construction	3 363 433	4 137 273	4 409 858	4 255 491
Transport	18 605 789	21 707 418	21 271 938	22 327 686
Communication	6 927 291	7 094 723	8 752 982	7 297 448
Services	260 555 773	17 498 135	231 056 358	17 528 754
Financial organisations	21 679 911	-	19 072 064	-
<b>Total</b>	<b>1 022 616 894</b>	<b>329 592 786</b>	<b>932 463 101</b>	<b>325 327 872</b>

	31 Dec 2014 US\$	31 Dec 2013 US\$
Cash cover	138 850 988	19 156 999
Mortgage bonds	693 024 108	607 135 229
Other forms of security including Notarial General Covering Bonds (NGCBs), cessions, etc.	754 069 932	657 516 198
	<b>1 585 945 028</b>	<b>1 283 808 426</b>

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

	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>Against doubtful* and loss* grades</b>		
Property	3 572 055	350 000
Other	13 963 852	-
<b>Against substandard* grade</b>		
Property	21 687 380	20 300 192
Other	48 297 546	42 113 360
<b>Against special mention* grade</b>		
Property	180 948 681	51 200 459
Other	224 489 903	72 182 307
<b>Against normal* grade</b>		
Property	486 815 992	535 284 578
Other	606 169 619	562 377 530
	<b>1 585 945 028</b>	<b>1 283 808 426</b>

\*See defination on note number 31.3.1 of the CBZ Holdings Limited notes to the financial results.

**23.3.5 Credit quality per class of financial assets**

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

	Normal grade US\$	*Special mention grade US\$	*Sub-Standard grade US\$	*Doubtful and Loss grade US\$	Total US\$
<b>December 2014</b>					
<b>Loans and advances to customers</b>					
Agriculture	104 981 776	177 904 065	16 648 271	2 704 878	302 238 990
Manufacturing	41 158 903	42 718 195	10 771 584	-	94 648 682
Commercial	212 054 652	38 393 364	7 092 657	3 015 100	260 555 773
Individual and households	44 928 263	15 138 737	1 612 284	369 333	62 048 617
Mining	2 892 071	14 223 264	2 115 175	-	19 230 510
Distribution	132 726 673	66 035 191	28 100 861	6 455 173	233 317 898
Construction	140 517	3 024 397	198 519	-	3 363 433
Transport	5 757 244	7 753 213	1 646 497	3 448 835	18 605 789
Communication	6 927 291	-	-	-	6 927 291
Financial services	20 972 909	707 002	-	-	21 679 911
	<b>572 540 299</b>	<b>365 897 428</b>	<b>68 185 848</b>	<b>15 993 319</b>	<b>1 022 616 894</b>

The Bank has issued financial guarantee contracts in respect of debtors for which the maximum amount payable by the Bank, assuming all guarantees are called on, is US\$ 145 million (2013: US\$156 million)

	Normal grade US\$	*Special mention grade US\$	*Sub-Standard grade US\$	*Doubtful and Loss grade US\$	Total US\$
<b>December 2013</b>					
<b>Loans and advances to customers</b>					
Agriculture	202 925 240	67 688 639	4 098 576	858 861	275 571 316
Manufacturing	76 274 779	6 501 954	12 355 134	-	95 131 867
Commercial	214 232 536	10 319 948	5 597 180	906 694	231 056 358
Individual and households	36 560 453	6 486 626	6 916 957	-	49 964 036
Mining	13 614 177	2 517 508	8 553	-	16 140 238
Distribution	167 593 605	31 922 800	10 866 600	709 439	211 092 444
Construction	4 258 578	-	151 280	-	4 409 858
Transport	12 552 153	5 424 393	3 242 057	53 335	21 271 938
Communication	8 752 982	-	-	-	8 752 982
Financial services	19 072 064	-	-	-	19 072 064
	<b>755 836 567</b>	<b>130 861 868</b>	<b>43 236 337</b>	<b>2 528 329</b>	<b>932 463 101</b>

\*See defination on note number 31.3.1 of the CBZ Holdings Limited notes to the financial results.

**23.4 Liquidity risk**

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

Market liquidity risk is the risk that the Bank 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 Bank 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 Bank. The Bank's liquidity risk management framework ensures that limits are set 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 Bank are customer deposits made up of current, savings and term deposits and these are diversified by customer type and maturity. The Bank tries to ensure through the Assets and Liabilities Committee processes and balance sheet management processes that asset growth and maturity are funded by appropriate growth in deposits and stable funding respectively.

**Liquidity Gap Analysis**

	Less than one month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Total US\$
<b>31 December 2014</b>							
Balances with bank and cash	69 393 058	-	-	-	-	-	69 393 058
Money market assets	15 704 914	145 491 868	-	3 977 137	137 500 466	-	302 674 385
Advances	524 163 093	33 590 723	19 720 377	200 139 614	139 580 788	43 680 138	960 874 733
Other liquid assets	140 323	40 430 826	-	-	-	-	40 571 149
Investments- other financial assets	-	-	-	-	7 629 967	-	7 629 967
Financial guarantees	1 402 000	2 003 888	5 401 000	1 597 878	123 100 000	11 680 000	145 184 766
Current tax receivable	-	1 481 338	-	-	-	-	1 481 338
<b>Total assets</b>	<b>610 803 388</b>	<b>222 998 643</b>	<b>25 121 377</b>	<b>205 714 629</b>	<b>407 811 221</b>	<b>55 360 138</b>	<b>1 527 809 396</b>

<b>Liabilities</b>							
Deposits	580 139 174	100 956 440	57 288 556	308 717 280	317 215 538	18 679 547	1 382 996 535
Other liabilities	-	9 500 056	-	-	-	-	9 500 056
Financial guarantees	1 402 000	2 003 888	5 401 000	1 597 878	123 100 000	11 680 000	145 184 766
<b>Total liabilities</b>	<b>581 541 174</b>	<b>112 460 384</b>	<b>62 689 556</b>	<b>310 315 158</b>	<b>440 315 538</b>	<b>30 359 547</b>	<b>1 537 681 357</b>

<b>Liquidity gap</b>	<b>29 262 214</b>	<b>110 538 259</b>	<b>(37 568 179)</b>	<b>(104 600 529)</b>	<b>(32 504 317)</b>	<b>25 000 591</b>	<b>(9 871 961)</b>
<b>Cumulative liquidity gap</b>	<b>29 262 214</b>	<b>139 800 473</b>	<b>102 232 294</b>	<b>(2 368 235)</b>	<b>(34 872 552)</b>	<b>(9 871 961)</b>	<b>(9 871 961)</b>

	Less than one month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Total US\$
<b>31 December 2013</b>							
Balances with bank and cash	56 599 529	91 725 844	-	-	-	-	148 325 373
Money market assets	84 536 796	17 500 000	82 115 000	40 000 000	6 959 989	-	231 111 785
Advances	567 547 047	11 840 852	7 476 009	117 607 758	147 779 460	46 737 253	898 988 379
Other liquid assets	-	18 315 481	-	-	-	-	18 315 481
Investments- other financial assets	-	-	-	-	7 628 032	-	7 628 032
Financial guarantees	-	-	-	155 582 869	-	-	155 582 869
<b>Total assets</b>	<b>708 683 372</b>	<b>139 382 177</b>	<b>89 591 009</b>	<b>313 190 627</b>	<b>162 367 481</b>	<b>46 737 253</b>	<b>1 459 951 919</b>

<b>Liabilities</b>							
Deposits	790 916 957	192 580 921	121 254 263	102 362 566	88 603 470	8 263 183	1 303 981 360
Current tax payable	-	1 902 099	-	-	-	-	1 902 099
Other liabilities	-	-	-	-	-	-	-
Financial guarantees	-	-	-	155 582 869	-	-	155 582 869
<b>Total liabilities</b>	<b>790 916 957</b>	<b>194 483 020</b>	<b>121 254 263</b>	<b>257 945 435</b>	<b>88 603 470</b>	<b>8 263 183</b>	<b>1 461 466 328</b>

<b>Liquidity gap</b>	<b>(82 233 585)</b>	<b>(55 100 843)</b>	<b>(31 663 254)</b>	<b>55 245 192</b>	<b>73 764 011</b>	<b>38 474 070</b>	<b>(1 514 409)</b>
<b>Cumulative liquidity gap</b>	<b>(82 233 585)</b>	<b>(137 334 428)</b>	<b>(168 997 682)</b>	<b>(113 752 490)</b>	<b>(39 988 479)</b>	<b>(1 514 409)</b>	<b>(1 514 409)</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 Bank 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) comes up with strategies through its monthly meetings to manage these liquidity gaps.

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

	%
At 31 December 2013	32
At 31 December 2014	35
Average for the year	31
Maximum for the year	35
Minimum for the year	30

**23.5 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 Bank's trading, funding and investment strategies.

This is managed at both Board and Management level through the regular policy and benchmarks which relate to interest rate risk management. The major areas of intervention involve 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, the USD in order to minimize cross currency interest rate risk. The Bank's interest rate risk profiling is illustrated below:

**23.5.1 Interest rate repricing and gap analysis**

	Less than one month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Non interest bearing US\$	Total US\$
<b>31 December 2014</b>								
Balances with bank and cash	69 393 058	-	-	-	-	-	-	69 393 058
Money market assets	15 704 914	145 491 868	-	3 977 137	137 500 466	-	-	302 674 385
Advances	524 163 093	33 590 723	19 720 377	200 139 614	139 580 788	43 680 138	-	960 874 733
Other assets	-	-	-	-	-	-	107 297 353	107 297 353
Investments- other financial assets	-	-	-	-	7 629 967	-	452 206	8 082 173
Investment property	-	-	-	-	-	-	5 268 800	5 268 800
Property and equipment	-	-	-	-	-	-	48 909 275	48 909 275
Intangible assets	-	-	-	-	-	-	362 337	362 337
Deferred tax	-	-	-	-	-	-	14 069 925	14 069 925
Current tax receivable	-	-	-	-	-	-	1 481 338	1 481 338
<b>Total assets</b>	<b>609 261 065</b>	<b>179 082 591</b>	<b>19 720 377</b>	<b>204 116 751</b>	<b>284 711 221</b>	<b>43 680 138</b>	<b>177 841 234</b>	<b>1 518 413 377</b>

<b>Equity and liabilities</b>								
Deposits	580 139 174	100 956 440	57 288 556	308 717 280	317 215 538	18 679 547	-	1 382 996 535
Other liabilities	-	-	-	-	-	-	9 500 056	9 500 056
Equity and reserves	-	-	-	-	-	-	125 916 786	125 916 786
<b>Total liabilities, equity and reserves</b>	<b>580 139 174</b>	<b>100 956 440</b>	<b>57 288 556</b>	<b>308 717 280</b>	<b>317 215 538</b>	<b>18 679 547</b>	<b>135 416 842</b>	<b>1 518 413 377</b>

<b>Interest rate repricing gap</b>	<b>29 121 891</b>	<b>78 126 151</b>	<b>(37 568 179)</b>	<b>(104 600 529)</b>	<b>(32 504 317)</b>	<b>25 000 591</b>	<b>42 424 392</b>	-
<b>Cumulative gap</b>	<b>29 121 891</b>	<b>107 248 042</b>	<b>69 679 863</b>	<b>(34 920 666)</b>	<b>(67 424 983)</b>	<b>(42 424 392)</b>	-	-

	Less than one month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Non interest bearing US\$	Total US\$
<b>31 December 2013</b>								
Balances with bank and cash	56 599 529	91 725 844	-	-	-	-	-	148 325 373
Money market assets	84 536 796	17 500 000	82 115 000	40 000 000	6 959 989	-	-	231 111 785
Advances	567 547 047	11 840 852	7 476 009	117 607 758	147 779 460	46 737 253	-	898 988 379
Other assets	-	-	-	-	-	-	76 946 779	76 946 779
Investments- other financial assets	-	-	-	-	7 628 032	-	172 206	7 800 238
Investment property	-	-	-	-	-	-	2 718 600	2 718 600
Property and equipment	-	-	-	-	-	-	47 910 102	47 910 102
Intangible assets	-	-	-	-	-	-	777 176	777 176
Deferred tax	-	-	-	-	-	-	13 255 167	13 255 167
<b>Total assets</b>	<b>708 683 372</b>	<b>121 066 696</b>	<b>89 591 009</b>	<b>157 607 758</b>	<b>162 367 481</b>	<b>46 737 253</b>	<b>141 780 030</b>	<b>1 427 833 599</b>

<b>Equity</b>
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AUDITED  
FINANCIAL RESULTS  
for the Year Ended 31 December 2014



23.6 Foreign exchange risk

At 31 December 2014, 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\$ 118 781 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 2014 is as below:

FOREIGN CURRENCY POSITION

Foreign currency position as at 31 December 2014

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	69 393 058	59 169 693	8 926 751	652 056	644 558
Money market assets	302 674 385	302 674 385	-	-	-
Advances	960 874 733	960 324 423	14 947	336	535 027
Other assets	107 297 353	106 992 588	187 147	59 609	58 009
Investments in other financial assets	8 082 173	7 938 530	-	-	143 643
Investment properties	5 268 800	5 268 800	-	-	-
Property and equipment	48 909 275	48 826 279	6 887	-	76 109
Deferred taxation	14 069 925	14 069 925	-	-	-
Intangible assets	362 337	362 337	-	-	-
Current tax receivable	1 481 338	1 481 338	-	-	-
<b>Total assets</b>	<b>1 518 413 377</b>	<b>1 507 108 298</b>	<b>9 135 732</b>	<b>712 001</b>	<b>1 457 346</b>
<b>Equity and liabilities</b>					
Deposits	1 382 996 535	1 369 331 422	12 514 002	434 056	717 055
Other liabilities	9 500 056	9 484 464	3 731	10 721	1 140
Equity and reserves	125 916 786	125 916 786	-	-	-
<b>Total equity and liabilities</b>	<b>1 518 413 377</b>	<b>1 504 732 672</b>	<b>12 517 733</b>	<b>444 777</b>	<b>718 195</b>

Foreign currency position as at 31 December 2013

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
<b>Assets</b>					
Balances with banks and cash	148 325 373	135 289 537	7 327 650	2 877 926	2 830 260
Money market assets	231 111 785	231 111 785	-	-	-
Advances	898 988 379	898 197 670	327 712	621	462 376
Other assets	76 946 779	76 651 277	150 311	84 853	60 338
Investments in other financial assets	7 800 238	7 656 596	-	-	143 642
Investment properties	2 718 600	2 718 600	-	-	-
Property and equipment	47 910 102	47 827 124	6 869	-	76 109
Deferred taxation	13 255 167	13 255 167	-	-	-
Intangible assets	777 176	777 176	-	-	-
<b>Total assets</b>	<b>1 427 833 599</b>	<b>1 413 484 932</b>	<b>7 812 542</b>	<b>2 963 400</b>	<b>3 572 725</b>
<b>Equity and liabilities</b>					
Deposits	1 303 981 360	1 289 597 934	13 442 499	307 233	633 694
Bond	-	-	-	-	-
Other liabilities	9 187 466	9 127 109	10 599	48 199	1 559
Current taxation payable	1 902 099	1 902 099	-	-	-
Deferred taxation	-	-	-	-	-
Equity and reserves	112 762 674	112 762 674	-	-	-
<b>Total equity ad liabilities</b>	<b>1 427 833 599</b>	<b>1 413 389 816</b>	<b>13 453 098</b>	<b>355 432</b>	<b>635 253</b>

Foreign currency position as at 31 December 2014

Underlying currency

	ZAR	GBP	Other foreign currencies in US\$
<b>Assets</b>			
Balances with banks and cash	103 369 993	419 059	644 558
Advances	173 082	216	535 027
Other assets	2 167 124	38 309	58 009
Investments in other financial assets	-	-	143 643
Property and equipment	79 747	-	76 109
<b>TOTAL ASSETS</b>	<b>105 789 946</b>	<b>457 584</b>	<b>1 457 346</b>
<b>Liabilities</b>			
Deposits	144 909 643	278 956	717 055
Other liabilities	43 205	6 890	1 140
<b>TOTAL LIABILITIES</b>	<b>144 952 848</b>	<b>285 846</b>	<b>718 195</b>
<b>Net position</b>	<b>(39 162 902)</b>	<b>171 738</b>	<b>739 151</b>

Foreign currency position as at 31 December 2013

Underlying currency

	ZAR	GBP	Other foreign currencies in US\$
<b>Assets</b>			
Balances with banks and cash	76 434 717	1 746 420	2 830 260
Advances	3 418 364	377	462 376
Other assets	1 567 894	51 492	60 338
Investments in other financial assets	-	-	143 642
Property and equipment	71 651	-	76 109
<b>TOTAL ASSETS</b>	<b>81 492 626</b>	<b>1 798 289</b>	<b>3 572 725</b>
<b>Liabilities</b>			
Deposits	140 218 707	186 439	633 694
Other liabilities	110 558	29 249	1 559
<b>TOTAL LIABILITIES</b>	<b>140 329 265</b>	<b>215 688</b>	<b>635 253</b>
<b>Net position</b>	<b>(58 836 639)</b>	<b>1 582 601</b>	<b>2 937 472</b>

23.7 Operational risk

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

23.7.1 Operational risk management framework

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

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

23.8 Strategic risk

This is the risk that arises where the Bank'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 Bank's Board and Management teams craft the strategy which is underpinned to the Bank's corporate goals. Approval of the strategy is the responsibility of the 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 Board.

23.9 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 Bank Board Risk Management Committee and the Bank Enterprise Wide Governance and Compliance unit which ensures that:

- Comprehensive and consistent compliance policies and procedures exist covering the Bank;
- A proactive and complete summary statement of the Bank and its position on ethics and compliance exists;
- A reporting structure of the Bank 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.

23.10 Reputation risk

This is the risk of potential damage to the Bank's image that arise from the market perception of the manner in which the Bank and its SBUs packages and delivers its products and services as well as how staff and management conduct themselves. It also relates to the Bank'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 Bank and its actions. The risk can further arise from the Bank's inability to address any of its other key risks. This risk is managed and mitigated through:

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

23.11 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 Bank and then use the funds to support illegal activities. The Bank 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.

23.12 Risk and Credit Ratings

23.12.1 External Credit Rating

Rating Agent	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating Co. (Short Term)	A1	A1	-	-	-	-	-	-	A1	A1
Global Credit Rating Co. (Long Term)	A+	A+	A+	A+	A	A	A	A+	A+	A

No short-term ratings were provided by the rating agent from 2007 to 2012.

23.12.2 Reserve Bank of Zimbabwe Ratings

CAMELS RATING MATRIX

	Composite	Capital Adequacy	Asset Quality	Management	Earnings	Liquidity	Sensitivity to market risk
CBZ Bank Limited	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

24. CAPITAL MANAGEMENT

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

It is important to highlight that CBZ Bank has three levels of capital and other components that are measured and managed simultaneously: -

- Regulatory capital
- Economic capital, and
- Available book capital.

24.1. Capital Adequacy

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

	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>Risk weighted assets</b>	<b>955 358 437</b>	<b>836 230 581</b>
<b>Total qualifying capital</b>	<b>134 099 830</b>	<b>116 138 437</b>
<b>Tier 1</b>		
Share capital	5 118 180	5 118 180
Share premium	16 721 711	11 198 956
Revenue reserves	93 071 540	81 487 952
Exposures to insiders	(3 758 936)	(7 077 119)
<b>Total core capital</b>	<b>111 152 495</b>	<b>90 727 969</b>
Less transfer to Tier 3	(18 638 685)	(18 240 798)
	<b>92 513 810</b>	<b>72 487 171</b>
<b>Tier 2</b>		
Revaluation reserve	11 005 355	14 957 586
General provisions	11 941 980	10 452 882
	<b>22 947 335</b>	<b>25 410 468</b>
<b>Tier 3</b>		
Capital allocated for market risk	284 272	462 983
Capital allocated to operations risk	18 354 413	17 777 815
	<b>18 638 685</b>	<b>18 240 798</b>
<b>Capital adequacy</b>	<b>14.04%</b>	<b>13.89%</b>
-Tier 1	9.68%	8.67%
-Tier 2	2.41%	3.04%
-Tier 3	1.95%	2.18%

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.

25. CORPORATE GOVERNANCE STATEMENT

The quality of corporate governance practices is becoming an increasingly important factor in maintaining market confidence. The Bank 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 the King III Code which is an internationally regarded benchmark in Corporate Governance.

26. DISCLOSURE POLICY

The Board is aware of the importance of balanced and understandable communication of the Bank's activities to stakeholders and strives to clearly present any matters material to a proper appreciation of the Bank'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 Bank and its institutional 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.

The Bank endeavors to ensure, through its regular public dissemination of quantitative and qualitative information that analysts estimates are in line with the Bank's own expectations. The Bank does not confirm or attempt to influence an analysts' opinion or conclusions and does not express comfort with analysts' models and earnings estimates.





STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2014

	Notes	31 Dec 2014 US\$	31 Dec 2013 US\$
Gross premium income		9 231 196	7 666 285
Reinsurance		(321 404)	(202 393)
<b>Net written premium</b>		<b>8 909 792</b>	<b>7 463 892</b>
Net commission	9.2	(1 438 264)	(797 512)
Net claims	9.3.1	(2 273 930)	(1 754 578)
<b>Technical profit</b>		<b>5 197 598</b>	<b>4 911 802</b>
Operating expenditure	3	(2 594 516)	(2 159 161)
<b>Underwriting profit</b>		<b>2 603 082</b>	<b>2 752 641</b>
Other income	2	845 955	602 023
Transfer to life fund		(862 165)	(63 567)
<b>Profit before taxation</b>		<b>2 586 872</b>	<b>3 291 097</b>
Taxation	12	(30 280)	(26 272)
<b>Profit for the year</b>		<b>2 556 592</b>	<b>3 264 825</b>
<b>Total comprehensive income</b>		<b>2 556 592</b>	<b>3 264 825</b>

STATEMENT OF FINANCIAL POSITION  
as at 31 December 2014

	Notes	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>ASSETS</b>			
Balances with banks and cash	4	308 415	516 270
Money market assets	5.1	10 075 700	6 924 898
Insurance receivables	6	214 082	344 996
Other receivables		32 716	130 402
Current tax		1 009	-
Intangible assets	7	488 672	152 548
Property and equipment	8	315 212	304 606
<b>TOTAL ASSETS</b>		<b>11 435 806</b>	<b>8 373 720</b>
<b>LIABILITIES</b>			
Insurance liabilities	9.4	2 311 493	1 614 683
Other liabilities	10	599 712	789 137
Current tax		-	1 891
<b>TOTAL LIABILITIES</b>		<b>2 911 205</b>	<b>2 405 711</b>
<b>EQUITY AND RESERVES</b>			
Share capital	11.2	2	2
Share premium		1 388 012	1 388 012
Revenue reserves		7 136 587	4 579 995
<b>TOTAL EQUITY AND RESERVES</b>		<b>8 524 601</b>	<b>5 968 009</b>
<b>TOTAL LIABILITIES, EQUITY AND RESERVES</b>		<b>11 435 806</b>	<b>8 373 720</b>

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2014

	Share capital US\$	Share premium US\$	Revenue reserves US\$	Total US\$
<b>2013</b>				
Balance at 1 January 2013	2	1 388 012	1 315 170	2 703 184
Total comprehensive income	-	-	3 264 825	3 264 825
<b>Balance at 31 December 2013</b>	<b>2</b>	<b>1 388 012</b>	<b>4 579 995</b>	<b>5 968 009</b>
<b>2014</b>				
Balance at 1 January 2014	2	1 388 012	4 579 995	5 968 009
Total comprehensive income	-	-	2 556 592	2 556 592
<b>Balance at 31 December 2014</b>	<b>2</b>	<b>1 388 012</b>	<b>7 136 587</b>	<b>8 524 601</b>

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2014

	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	<b>2 586 872</b>	<b>3 291 097</b>
Non cash items:		
Depreciation	77 323	44 828
Amortisation	40 616	2 762
Unearned premium	(26 539)	274 248
Claims incurred but not yet reported	888 705	(210 681)
Guaranteed education plan withdrawals	(215 500)	-
Interest on guaranteed education plan investment fund	50 145	12 833
Loss on sale of property and equipment	-	956
<b>Operating profit before changes in operating assets and liabilities</b>	<b>3 401 622</b>	<b>3 416 043</b>
<b>Changes in operating assets and liabilities</b>		
Insurance assets	130 914	(210 238)
Insurance liabilities	97 686	(104 962)
Receivables	(189 425)	111 454
Payables	(3 150 802)	(2 563 504)
Money market assets	(3 111 627)	(2 767 250)
Corporate tax paid	(33 181)	(23 657)
<b>Net cash inflow from operating activities</b>	<b>256 814</b>	<b>625 136</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of property and equipment	-	47
Purchase of property and equipment	(87 929)	(215 767)
Purchase of intangible assets	(376 740)	(150 939)
<b>Net cash outflow from investing activities</b>	<b>(464 669)</b>	<b>(366 659)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
<b>NET (DECREASE)/INCREASE IN BALANCES WITH BANKS AND CASH</b>	<b>(207 855)</b>	<b>258 477</b>
Balances with banks and cash at the beginning of the year	516 270	257 793
<b>Balances with banks and cash at end of the year</b>	<b>308 415</b>	<b>516 270</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

1. INCORPORATION AND ACTIVITES

The company offers life insurance services and is incorporated in Zimbabwe.

2. OTHER INCOME

Short term money markets interest  
Bank interest  
Interest on staff loans

3. OPERATING EXPENDITURE

Administration expenses  
Audit fees  
Depreciation  
Amortisation of intangible assets  
Staff costs  
Impairment other  
Loss on disposal of property and equipment

Directors' remuneration (included in staff costs)  
Fees for services as Directors  
Pension for past and present directors  
Salaries and other benefits  
Pension for past and present directors

4. BALANCES WITH BANKS AND CASH

Cash at bank

5. INVESTMENTS

5.1 Money market assets

Money market portfolio analysis:  
At fair value through profit and loss

5.2 Maturity analysis

Less than 1 month  
Between 1 months and 3 months  
Between 3 months and 1 year

6. INSURANCE RECEIVABLES

Reinsurance unearned premium reserve  
Reinsurance receivables  
Deferred acquisition costs  
Premium receivables  
Suspended premium receivables

7. INTANGIBLE ASSETS

Computer Software Cost

Balance at 1 January  
Additions  
**Balance at 31 December**

Amortisation

Balance at 1 January  
Charge for the year  
**Balance at 31 December**  
Carrying amount at 31 December

8. PROPERTY AND EQUIPMENT

	Motor vehicles US\$	Computers, furniture and other equipment US\$	Total US\$
<b>Cost</b>			
Balance at 1 January 2013	80 999	84 653	165 652
Additions	-	215 767	215 767
Disposal	-	(1 294)	(1 294)
Balance at 31 December 2013	<b>80 999</b>	<b>299 126</b>	<b>380 125</b>
Additions	-	87 929	87 929
<b>Balance at 31 December 2014</b>	<b>80 999</b>	<b>387 055</b>	<b>468 054</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2013	20 094	10 888	30 982
Charge for the year	16 200	28 628	44 828
Disposal	-	(291)	(291)
Balance at 31 December 2013	<b>36 294</b>	<b>39 225</b>	<b>75 519</b>
Charge for the year	16 188	61 135	77 323
<b>Balance at 31 December 2014</b>	<b>52 482</b>	<b>100 360</b>	<b>152 842</b>
Carrying amount at 31 December 2014	<b>28 517</b>	<b>286 695</b>	<b>315 212</b>
Carrying amount at 31 December 2013	<b>44 705</b>	<b>259 901</b>	<b>304 606</b>

9. INSURANCE CONTRACT PROVISIONS

9.1 Provision for unearned premium

Unearned premium reserve  
Unearned at 1 January 2014  
Written premiums  
Earned during the period  
**Unearned at 31 December 2014**

Gross US\$	Reinsurance US\$	Net US\$
800 366	(765)	799 601
9 231 196	(321 404)	8 909 792
(9 249 283)	312 952	(8 936 331)
<b>782 279</b>	<b>(9 217)</b>	<b>773 062</b>

9.2 Commissions

Commission paid  
Commission received  
Deferred acquisition costs  
**Net commission**

9.3 Claims

9.3.1 Net claims

Gross claims  
Reinsurance

9.3.2 Provision for IBNR claims

IBNR claims provision at 1 January 2014  
Movement for the year  
**IBNR provision at 31 December 2014**

9.4

Life funds

Gross unearned premium reserve  
Provision for incurred but not reported claims  
Guaranteed Education Plan Provision  
**Balance at 31 December 2014**

10. OTHER LIABILITIES

Inter-company  
Other payables

11. SHARE CAPITAL

11.1 Authorised share capital

20 000 ordinary shares of US\$1

11.2 Issued share capital

2 ordinary shares of US\$1 each

12. TAXATION

The following constitutes the major components of income tax expense recognised in the statement of comprehensive income.

	30 280	26 272
Current income tax charge		
<b>TAX RATE RECONCILIATION</b>	<b>%</b>	<b>%</b>
Notional tax	25.00	25.00
Aids levy	0.75	0.75
Permanent differences	(24.58)	(24.95)
<b>Effective tax rate</b>	<b>1.17</b>	<b>0.80</b>



STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014		
	31 Dec 2014 US\$	31 Dec 2013 US\$
Gross premium income	9 088 796	7 551 137
Reinsurance	(4 437 143)	(4 032 274)
Net written premium	4 651 653	3 518 863
Unearned premium	(706 065)	(243 824)
Net earned premium	3 945 588	3 275 039
Net commission	(38 710)	96 745
Net claims	(1 757 814)	(1 112 369)
Technical result	2 149 064	2 259 415
Operating expenditure	(1 511 441)	(1 481 574)
Underwriting profit	637 623	777 841
Other income	174 118	94 894
Impairment allowance	(148 420)	(285 374)
Profit before taxation	663 321	587 361
Taxation	(148 724)	(146 390)
Profit for the year after tax	514 597	440 971
Other comprehensive income	-	-
Total comprehensive income	514 597	440 971

STATEMENT OF FINANCIAL POSITION as at 31 December 2014		
	31 Dec 2014 US\$	31 Dec 2013 US\$
ASSETS		
Non- current assets		
Investment properties	153 000	150 000
Property and equipment	192 561	185 348
Intangible assets	66 743	122 053
Listed Investments	248 181	288 076
Deferred taxation	230 040	143 571
Total non-current assets	890 525	889 048
Technical assets		
Reinsurance unearned premium reserve	1 250 495	1 076 232
Deferred acquisition costs	350 539	246 176
Reinsurance outstanding claims	350 731	122 900
Reinsurance receivables	513 029	994 917
Insurance receivable	1 473 121	1 166 450
Total technical assets	3 937 915	3 606 675
Current assets		
Inventory	2 812	3 935
Other receivables	24 828	39 849
Money market assets	2 697 531	782 905
Balances with banks and cash	240 397	250 886
Total current assets	2 965 568	1 077 575
TOTAL ASSETS	7 794 008	5 573 298
EQUITY AND RESERVES		
Share capital	50 500	50 500
Share premium	589 807	589 807
Revenue reserves	1 486 941	972 344
Total equity and reserves	2 127 248	1 612 651
LIABILITIES		
Non-current liabilities		
Deferred taxation	33 436	57 789
Total non-current liabilities	33 436	57 789
Technical liabilities		
Gross unearned premium reserve	3 082 376	2 202 048
Gross outstanding claims	832 935	459 835
Unearned commission reserve	290 824	231 953
Incurred but not reported claims	233 417	175 943
Reinsurance payables	695 165	549 367
Total technical liabilities	5 134 717	3 619 146
Current liabilities		
Other payables	333 460	220 348
Taxation	165 147	63 364
Total current liabilities	498 607	283 712
TOTAL LIABILITIES	5 666 760	3 960 647
TOTAL LIABILITIES, EQUITY AND RESERVES	7 794 008	5 573 298

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014				
	Share capital reserve US\$	Share premium US\$	Revenue reserves US\$	Total US\$
2013				
Balance at 1 January 2013	50 500	589 807	531 373	1 171 680
Total comprehensive income	-	-	440 971	440 971
Balance at 31 December 2013	50 500	589 807	972 344	1 612 651
2014				
Balance at 1 January 2014	50 500	589 807	972 344	1 612 651
Total comprehensive income	-	-	514 597	514 597
Balance at 31 December 2014	50 500	589 807	1 486 941	2 127 248

STATEMENT OF CASH FLOWS for the year ended 31 December 2014		
	31 Dec 2014 US\$	31 Dec 2013 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /before taxation	663 321	587 361
Non cash items:		
Depreciation	59 940	49 009
Amortisation	93 985	94 699
Fair value adjustment	36 895	(41 306)
Net commission movement	(45 492)	(21 017)
Unearned premium reserve movement	706 065	243 824
Incurred but not yet reported claims	57 474	34 470
Impairment allowance	20 937	89 647
Premium receivables written off	127 483	195 727
Loss on scrapping of property and equipment	-	973
Operating profit before changes in operating assets and liabilities	1 720 608	1 233 387
Changes in operating assets and liabilities		
Decrease in inventory	1 123	7 134
Increase/(decrease) in receivables	(464 639)	849 418
Increase/(decrease) in money market investments	(1 914 626)	77 159
Decrease/(increase) in payables	910 637	(1 790 751)
	(1 467 505)	(857 040)
Corporate tax paid	(157 764)	(291 885)
Net cash inflow from operating activities	95 339	84 462
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(67 153)	(135 217)
Purchase of intangible assets	(38 675)	-
Net cash outflow from investing activities	(105 828)	(135 217)
CASHFLOWS FROM FINANCING ACTIVITIES		
Loan repayment	-	(13 135)
Net cash flow to/from financing activities	-	(13 135)
NET INCREASE/DECREASE IN BALANCES WITH BANKS AND CASH	(10 489)	(63 890)
Balances with banks and cash at the beginning of the year	250 886	314 776
Balances with banks and cash at end of the year	240 397	250 886

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014		
	31 Dec 2014 US\$	31 Dec 2013 US\$
Revenue	2 307 221	2 119 670
Operating expenditure	(1 845 551)	(1 590 250)
Operating income	461 670	529 420
Finance costs	-	(34 669)
Profit before taxation	461 670	494 751
Taxation	(119 061)	(132 904)
Profit for the year	342 609	361 847
Total comprehensive income	342 609	361 847

STATEMENT OF FINANCIAL POSITION as at 31 December 2014		
	31 Dec 2014 US\$	31 Dec 2013 US\$
ASSETS		
Balances with banks and cash	146 324	308 225
Money market assets	1 648 620	1 064 531
Loans and advances	16 695	17 012
Other assets	591 761	637 967
Listed investment	15	20
Investment property	105 000	97 000
Property and equipment	241 484	219 487
Intangible assets	84 022	214 500
Current taxation	8 044	15 800
TOTAL ASSETS	2 841 965	2 574 542
LIABILITIES		
Other liabilities	148 155	246 208
Provisions	266 092	196 981
Deferred taxation	21 765	68 009
TOTAL LIABILITIES	436 012	511 198
EQUITY AND RESERVES		
Share capital	63 005	63 005
Share premium	1 924 944	1 924 944
Revenue reserves	418 004	75 395
TOTAL EQUITY AND RESERVES	2 405 953	2 063 344
TOTAL LIABILITIES, EQUITY AND RESERVES	2 841 965	2 574 542

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014				
	Share capital US\$	Share premium US\$	Revenue reserves US\$	Total US\$
2013				
Balance at 1 January	62 005	1 361 425	(286 452)	1 136 978
Rights issue	1 000	563 519	-	564 519
Total comprehensive income	-	-	361 847	361 847
Balance at 31 December	63 005	1 924 944	75 395	2 063 344
2014				
Balance at 1 January	63 005	1 924 944	75 395	2 063 344
Total comprehensive income	-	-	342 609	342 609
Balance at 31 December	63 005	1 924 944	418 004	2 405 953

STATEMENT OF CASH FLOWS for the year ended 31 December 2014		
	31 Dec 2014 US\$	31 Dec 2013 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	461 670	494 751
Non cash items:		
Depreciation and amortisation	184 463	160 513
Impairments on property and equipment	-	2 611
Fair value adjustment	(7 995)	6 105
Profit on sale of property and equipment	(1 374)	(1 641)
Operating profit before changes in operating assets and liabilities	636 764	662 339
Changes in operating assets and liabilities		
Advances	317	301 083
Money market assets	(584 089)	(842 937)
Other assets	46 206	(402 452)
Net change in investment	-	608 360
Other liabilities	(98 053)	185 879
Provisions	69 111	85 259
	(566 508)	(64 808)
Corporate tax paid	(157 549)	-
Net cash (outflow) / inflow from operating activities	(87 293)	597 531
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	4 323	2 161
Purchase of property and equipment	(78 931)	(177 612)
Purchase of intangible assets	-	(1 782)
Net cash outflow from investing activities	(74 608)	(177 233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(330 000)
Net cash flow to financing activities	-	(330 000)
NET (DECREASE) / INCREASE IN BALANCES WITH BANKS AND CASH	(161 901)	90 298
Balances with banks and cash at the beginning of the year	308 225	217 927
Balances with banks and cash at end of the year	146 324	308 225