

Chairman’s Statement

I am pleased to report on the performance of CBZ Holdings Limited for the half year ended 30 June 2015. The Group continues to operate profitably despite the economic challenges.

Operating Environment

Economic activity remained subdued, owing to the continued slow down in economic fundamentals. The country’s annual inflation rate continued on a declining trajectory from -0.8% at the close of December 2014 to -2.8% at 30 June 2015. A shrinking formal market and declining disposable incomes continue to adversely affect Government’s revenue targets and in turn the aggregate demand in the economy.

Financial Market

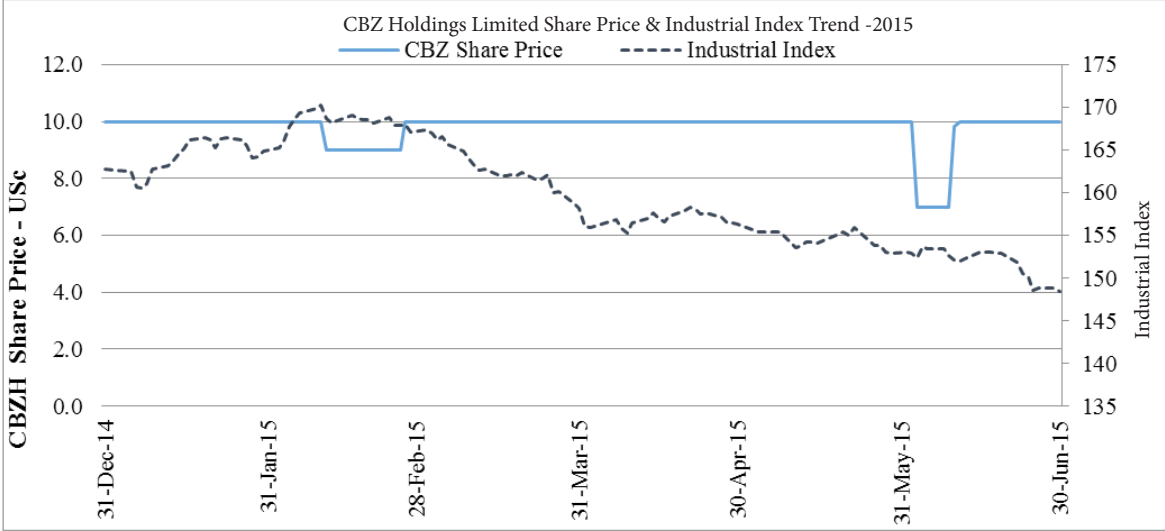
Notable positive developments were achieved during the period under review. These include resumption of the interbank market, demonetisation of the Zimbabwean dollar and the continuation of the International Monetary Fund “IMF” Staff Monitored Program by the Government. Broad Money supply closed the period at US\$4.48 billion, an increase of 1.82% from the US\$4.40 billion as at 31December 2014.

Equities Market

The stock market recorded a subdued performance during the period, with the industrial and mining indices falling by 9% and 39%, respectively.

The Company’s share price remained resilient, opening and closing the first half of 2015 unchanged at 10 cents, whilst its market capitalisation remained steady at US\$68 million.

The automation of trading on the Zimbabwe Stock Exchange (ZSE), came as a welcome development. Coupled with the dematerialisation initiatives at the Central Security Depository, increased trading efficiencies on the equities market will be achieved.



Overview of the Group’s performance

Below are the key highlights of the Group’s performance for the half year ended 30 June 2015.

	Unaudited Half year Ended 30 June 2015	Unaudited Half year Ended 30 June 2014	Audited Year Ended 31 December 2014
Key Financial Performance Highlights	US\$m	US\$m	US\$m
Total income	82.3	69.6	154.6
Total operating expenses	51.9	46.4	98.7
Profit after tax	13.7	12.8	33.0
Total comprehensive income	13.7	12.8	35.7
Total assets	1,964.3	1,693.4	1,670.4
Advances	1,113.0	1,044.0	1,125.9
Deposits	1,695.6	1,457.2	1,416.9
Shareholders’ funds	242.3	216.4	231.7
Other Statistics			
Annualised basic earnings per share (cents)	5.0	4.1	5.6
Non-interest to total income (%)	33.1	35.6	42.8
Cost to income (%)	63.1	66.7	63.8
Annualised Return on Equity (%)	11.4	11.8	15.1
Annualised Return on Total assets (%)	1.5	1.8	2.3
Growth in deposits (%)	19.7	9.4	6.3
Growth in advances (%)	(1.1)	1.5	9.5
Growth in PBT (%)	(0.7)	(26.5)	(12.4)
Growth in PAT (%)	7.1	(19.6)	(9.9)

Directorship

Mr Andrew Lowe retired from the Board of Directors on 24 February 2015 to pursue personal interests. We thank him for the support and contribution during his tenure as a member of the CBZ Holdings Board. Messrs Richard Dawes, Richard Zirobwa and Ian Harold Harris were appointed to the Board of Directors of CBZ Holdings Limited during the half-year ended 30 June 2015.

Governance

The success of our business is built on good corporate governance practices. As such we subject all our areas of business to such principles, especially so, given the challenges posed by the volatile operating environment.

Dividend

In line with the Group’s dividend growth policy and considering the need for prudential capitalisation, the Board has proposed the declaration of an interim dividend of US\$1 456 505 for the half year ended 30 June 2015.

Outlook

The IMF, in its July 2015 World Economic Outlook report, downgraded the projected 2015 global growth rate from 3.5% to 3.3%. Sub Saharan Africa is now expected to expand by 4.4%, a 0.1 percentage point lower than the April 2015 forecast of 4.5%, whilst Zimbabwe’s growth rate was downgraded from 3.2% to 1.5%.

It remains critical for the country to invest in key economic enablers such as civil infrastructure and to ensure the soundness of the financial markets. The economic multiplier effect arising from such, include employment creation and the growth of the necessary aggregate demand.

Appreciation

My appreciation goes to our clients, who are the centre of our very existence. I would also like to thank the Boards of the Group, Management and Staff for their continued dedication to the achievement of such remarkable results.



R.V. Wilde

Chairman
6 August 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the half year ended 30 June 2015

	Notes	Unaudited 30 June 2015 US\$	Unaudited 30 June 2014 US\$
Interest income	2	101 485 746	90 907 906
Interest expense	2	(53 883 342)	(49 902 343)
Net interest income		47 602 404	41 005 563
Non-interest income	3	27 391 236	24 798 402
Underwriting income (net)	4	7 259 609	3 763 677
Total income		82 253 249	69 567 642
Operating expenditure	5	(51 894 888)	(46 388 803)
Operating income		30 358 361	23 178 839
Charge for impairment		(14 377 562)	(7 577 387)
Transfer to Life Fund	21	(1 163 999)	(684 659)
Profit before taxation		14 816 800	14 916 793
Taxation	6.1	(1 076 964)	(2 084 408)
Profit for the half year after taxation		13 739 836	12 832 385
Other comprehensive income		-	-
Total comprehensive income for the half year		13 739 836	12 832 385
Profit for the half year attributable to:			
Equity holders of parent		13 653 397	12 807 473
Non-controlling interests		86 439	24 912
Profit for the half year		13 739 836	12 832 385
Total comprehensive income attributable to:			
Equity holders of parent		13 653 397	12 807 473
Non-controlling interests		86 439	24 912
Total comprehensive income for the half year		13 739 836	12 832 385
Earnings per share (cents):			
Basic	7.1	5.00	4.13
Fully diluted	7.1	4.86	4.03
Headline	7.1	5.01	4.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2015

	Notes	Unaudited 30 June 2015 US\$	Audited 31 Dec 2014 US\$
ASSETS			
Balances with banks and cash	9	107 271 220	73 296 010
Money market assets	10	512 849 272	240 402 431
Advances	11	1 113 031 663	1 125 938 280
Insurance assets	12	6 644 924	4 151 998
Other assets	13	94 544 384	91 315 003
Investments in other financial assets	14	6 446 584	13 092 885
Property and equipment	15	75 741 967	76 950 172
Investment properties	16	25 255 657	25 161 306
Intangible assets	17	1 359 574	1 339 462
Deferred taxation	18.1	21 165 044	17 215 314
Current tax receivable		-	1 490 391
TOTAL ASSETS		1 964 310 289	1 670 353 252
LIABILITIES			
Deferred taxation	18.2	2 539 225	2 606 658
Deposits	19	1 695 561 810	1 416 930 877
Insurance liabilities	20	7 040 662	5 134 718
Life fund	21	3 668 459	2 311 493
Other liabilities	22	13 188 556	11 514 727
Current tax payable		60 118	165 147
TOTAL LIABILITIES		1 722 058 830	1 438 663 620
EQUITY AND RESERVES			
Share capital	23.1	6 866 292	6 866 065
Share premium	23.2	39 985 831	39 983 305
Treasury shares	23.3	(15 658 061)	(13 503 280)
Non-distributable reserve	23.4	-	-
Revaluation reserve	23.5	26 305 791	26 305 791
Share option reserve	23.6	977 689	907 067
Revenue reserves	23.7	183 403 064	170 846 270
Equity and reserves attributable to equity holders of the parent		241 880 606	231 405 218
Non-controlling interests	23.8	370 853	284 414
TOTAL EQUITY AND RESERVES		242 251 459	231 689 632
TOTAL LIABILITIES, EQUITY AND RESERVES		1 964 310 289	1 670 353 252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half year ended 30 June 2015

	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\$
Unaudited 30 June 2014									
Balance at beginning of period	6 862 084	26 938 904	(6 104 335)	13 000 000	23 606 200	772 890	140 102 078	669 251	205 847 072
Total comprehensive income	-	-	-	-	-	-	12 807 473	24 912	12 832 385
Treasury shares acquisition	-	-	(1 226 504)	-	-	-	-	-	(1 226 504)
Employee share option expense	-	-	-	-	-	73 746	-	-	73 746
Exercise of share options	3 808	42 474	-	-	-	(12 738)	-	-	33 544
Dividend paid	-	-	-	-	-	-	(1 117 380)	-	(1 117 380)
Balance at 30 June 2014	6 865 892	26 981 378	(7 330 839)	13 000 000	23 606 200	833 898	151 792 171	694 163	216 442 863
Unaudited 30 June 2015									
Balance at beginning of period	6 866 065	39 983 305	(13 503 280)	-	26 305 791	907 067	170 846 270	284 414	231 689 632
Total comprehensive income	-	-	-	-	-	-	13 653 397	86 439	13 739 836
Treasury shares acquisition	-	-	(2 154 781)	-	-	-	-	-	(2 154 781)
Employee share option expense	-	-	-	-	-	71 380	-	-	71 380
Exercise of share options	227	2 526	-	-	-	(758)	-	-	1 995
Dividend paid	-	-	-	-	-	-	(1 096 603)	-	(1 096 603)
Balance at 30 June 2015	6 866 292	39 985 831	(15 658 061)	-	26 305 791	977 689	183 403 064	370 853	242 251 459

Unaudited Financial Results

for the half year ended 30 June 2015



CONSOLIDATED STATEMENT OF CASH FLOWS for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14 816 800	14 916 793
Non cash items:		
Depreciation	3 799 657	3 348 648
Amortisation of intangible assets	199 525	399 206
Fair value adjustments on financial instruments	170 484	59 504
Impairment on advances and insurance assets	14 377 562	7 577 387
Unrealised gains on foreign currency position	(296 893)	(457 099)
Loss on sale of property and equipment	15 201	32 600
Unearned premium	1 373 827	591 815
Claims provision Incurred But Not Reported (IBNR)	241 628	608 074
Employee share option expense	71 380	73 746
Operating cash flows before changes in operating assets and liabilities	34 769 171	27 150 674
Changes in operating assets and liabilities		
Deposits	88 415 207	125 074 373
Advances	(76 138 426)	(23 324 367)
Money market assets	(7 019 757)	(123 720 002)
Insurance assets	(2 739 910)	(1 595 724)
Insurance liabilities	1 647 456	1 652 051
Other assets	(3 229 381)	(13 347 582)
Other liabilities	1 673 829	(2 299 245)
	2 609 018	(37 560 496)
Corporate tax paid	(3 708 765)	(5 018 069)
Net cash inflow/(outflow) from operating activities	33 669 424	(15 427 891)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	6 475 815	(501 198)
Purchase of investment properties	(94 351)	(73 818)
Proceeds on disposal of property and equipment	100 511	377 259
Purchase of property and equipment	(2 728 599)	(7 515 815)
Purchase of intangible assets	(198 201)	(102 112)
Net cash inflow /(outflow) from investing activities	3 555 175	(7 815 684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee share options exercised	1 995	33 544
Treasury shares acquisition	(2 154 781)	(1 226 504)
Dividend paid	(1 096 603)	(1 117 380)
Net cash outflow from financing activities	(3 249 389)	(2 310 340)
NET INCEASE/(DECREASE) IN BALANCES WITH BANKS AND CASH	33 975 210	(25 553 915)
Balances with banks and cash at the beginning of the period	73 296 010	152 612 007
BALANCES WITH BANKS AND CASH AT END OF THE PERIOD	107 271 220	127 058 092

ACCOUNTING POLICIES for the half year ended 30 June 2015

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 2014 annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS RESULTS for the half year ended 30 June 2015

1. INCORPORATION AND ACTIVITIES

The consolidated financial results of the Group for the half year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 6 August 2015. 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 interest
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

Fair value adjustments on financial instruments
Net income from foreign currency dealings
Unrealised profit on foreign currency
Commission and fee income
Loss on sale of assets
Other operating income

4. UNDERWRITING INCOME (NET)

Gross premium insurance
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

Remuneration 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.

6.1 Analysis of tax charge in respect of the profit for the half year

Current income tax charge
Deferred income tax
Income tax expense

6.2 Tax rate reconciliation

Notional tax
Aids levy
Permanent differences
Tax credit

7. EARNINGS PER SHARE

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

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 period and the weighted average number of potentially dilutive ordinary shares.

Headline earnings per share is calculated by dividing profit for the period 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.

30 June 2015 US\$	30 June 2014 US\$
833 417	1 063 626
52 949 336	46 843 109
22 796 419	25 152 663
8 883 721	7 259 642
1 575 395	1 363 386
87 038 288	81 682 426
14 204 917	8 622 915
242 541	602 565
101 485 746	90 907 906
643 930	215 425
5 431 511	4 419 102
40 892 678	33 572 077
6 915 223	11 695 739
53 883 342	49 902 343
47 602 404	41 005 563
(170 484)	(59 504)
1 656 498	2 561 271
296 893	457 099
23 347 135	18 823 396
(15 201)	(32 600)
2 276 395	3 048 740
27 391 236	24 798 402
13 693 978	9 466 656
(3 892 166)	(3 008 897)
9 801 812	6 457 759
(355 321)	(591 816)
9 446 491	5 865 943
(360 062)	(679 875)
(1 826 820)	(1 422 391)
7 259 609	3 763 677
26 718 162	24 577 347
20 911 778	17 814 321
265 766	249 281
3 799 657	3 348 648
199 525	399 206
51 894 888	46 388 803
705 320	641 200
267 099	242 817
4 003 285	3 628 889
4 975 704	4 512 906
1 786 970	1 722 398
1 532 522	1 358 161
22 034	24 434
3 341 526	3 104 993

The Group leases a number of buildings from which its branches operate. The leases typically run for a period of less than 5 years with an option to renew the lease after the expiry date.

During the half year ended 30 June 2015, an amount of US\$ 1 080 377 (June 2014: US\$1 159 544) was recognised as rent expense in statement of comprehensive income.

30 June 2015 US\$	30 June 2014 US\$
5 094 126	4 010 629
(4 017 162)	(1 926 221)
1 076 964	2 084 408
%	%
25.00	25.00
0.75	0.75
(18.48)	(10.92)
-	(0.86)
7.27	13.97

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

	30 June 2015 US\$	30 June 2014 US\$		
7.1 Annualised earnings per share (cents)				
Basic	5.00	4.13		
Fully diluted	4.86	4.03		
Headline	5.01	4.14		
7.2 Earnings				
Basic earnings (earnings attributable to holders of parent)	13 653 397	12 807 473		
Fully diluted	13 653 397	12 807 473		
Headline	13 668 598	12 840 073		
Number of shares used in calculations (weighted)	Shares	Shares		
Basic earnings per share (weighted)	546 132 787	620 620 392		
Fully diluted earnings per share (weighted)	561 367 010	636 127 950		
Headline (weighted)	546 132 787	620 620 392		
7.3 Reconciliation of denominators used for calculating basic and diluted earnings per share:				
Weighted average number of shares before adjustment for treasury shares	686 523 598	686 589 294		
Less: Treasury shares held	(140 390 812)	(65 968 902)		
Weighted average number of shares used for basic EPS	546 132 786	620 620 392		
Potentially dilutive shares (Employee Share Options)	15 234 224	15 507 558		
Weighted average number of shares used for diluted EPS	561 367 010	636 127 950		
	30 June 2015 US\$	30 June 2014 US\$		
7.4 Headline earnings				
Profit attributable to ordinary shareholders	13 653 397	12 807 473		
Adjusted for excluded re-measurements:				
Tax relating to re-measurements	-	-		
Disposal loss on plant and equipment and intangibles	15 201	32 600		
	13 668 598	12 840 073		
8. DIVIDENDS				
Interim dividend proposed	1 456 505	-		
Interim dividend paid	-	1 259 245		
	1 456 505	1 259 245		
	30 June 2015 US\$	31 Dec 2014 US\$		
9. BALANCES WITH BANKS AND CASH				
Cash foreign	29 972 475	29 239 147		
Nostro accounts	18 559 131	17 529 169		
Balance with the Reserve Bank of Zimbabwe	58 733 238	26 522 329		
Interbank clearing accounts	6 376	5 365		
	107 271 220	73 296 010		
10. MONEY MARKET ASSETS				
AMA bills	443 757	1 422 000		
Call placements	133 195 862	64 764 086		
Treasury bills	356 624 485	147 838 853		
Bankers acceptances	15 383 517	21 428 062		
Accrued interest	7 201 651	4 949 430		
	512 849 272	240 402 431		
10.1 Maturity analysis				
Less than 1 month	24 576 158	24 010 837		
Between 1 and 3 months	135 703 304	72 768 110		
Between 3 and 6 months	4 957 910	1 727 933		
Between 6 months and 1 year	4 157 593	4 395 084		
Between 1 and 5 years	177 150 570	137 500 467		
5 years and above	166 303 737	-		
	512 849 272	240 402 431		
10.2 Loans and receivables				
Maturity value	608 142 954	240 052 181		
Book value	512 260 351	233 714 027		
11. ADVANCES				
Overdrafts	614 633 881	660 125 004		
Loans	409 434 862	347 187 101		
Mortgage advances	140 968 228	171 359 744		
	1 165 036 971	1 178 671 849		
Interest accrued	19 464 140	13 098 389		
Total gross advances	1 184 501 111	1 191 770 238		
Provision for impairment	(71 469 448)	(65 831 958)		
	1 113 031 663	1 125 938 280		
11.1 Sectoral analysis	US\$	%	US\$	%
Private	164 933 934	14	116 692 382	10
Agriculture	348 088 849	30	337 137 187	28
Mining	12 828 940	1	20 142 355	2
Manufacturing	76 352 333	6	97 172 797	8
Distribution	271 187 166	23	293 006 084	25
Construction	4 671 030	-	4 635 813	-
Transport	14 594 624	1	22 777 858	2
Communication	6 967 457	1	6 927 291	-
Services	262 376 485	22	271 335 148	23
Financial organisations	22 500 293	2	21 943 323	2
	1 184 501 111	100	1 191 770 238	100

Maturity analysis is based on the remaining period from 30 June 2015 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 period

Repayments during the period

Balance at end of the period

Loans to employees

Included in advances are loans to employees:

Opening balance

Advances made during the period

Repayments during the period

Balance at end of the period

11.4 Non performing advances

Total advances on which interest is suspended

11.5 Provision for impairment of advances

Opening balance

Charge for impairment on advances

Interest in suspense

Amounts written off during the period

Balance at end of the period

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

Charge for impairment on insurance receivables

Amounts written off during the period

Balance at end of the period

13. OTHER ASSETS

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

During the year CBZ Insurance conducted a rights issue and CBZ Holdings exercised its full rights to the issue.

15. PROPERTY AND EQUIPMENT

	Land US\$	Buildings US\$	Leasehold improvements US\$	Motor vehicles US\$	Computer and equipment US\$	Work in progress US\$	30 June 2015 US\$	31 Dec 2014 US\$
Cost								
Opening balance	5 699 347	52 289 299	805 435	4 677 170	29 865 129	1 133 356	94 469 736	89 800 814
Additions	-	31 572	-	714 157	1 418 045	564 825	2 728 599	6 024 260
Revaluation surplus	-	-	-	-	-	-	-	519 752
Impairments	-	-	-	-	-	-	-	(455 965)
Disposals	-	-	-	(52 665)	(273 883)	(73 111)	(399 659)	(1 074 344)
Transfers to non PPE assets	-	-	-	-	-	(21 435)	(21 435)	(344 781)
Transfers	-	17 875	-	-	5 753	(23 628)	-	-
Closing balance	5 699 347	52 338 746	805 435	5 338 662	31 015 044	1 580 007	96 777 241	94 469 736
Accumulated depreciation and impairment								
Opening balance	-	-	271 657	2 647 272	14 600 635	-	17 519 564	13 355 920
Charge for the year	-	1 501 931	39 272	339 824	1 918 630	-	3 799 657	7 467 207
Disposals	-	-	-	(47 408)	(236 539)	-	(283 947)	(575 744)
Revaluation	-	-	-	-	-	-	-	(2 727 819)
Closing balance	-	1 501 931	310 929	2 939 688	16 282 726	-	21 035 274	17 519 564
Net book value	5 699 347	50 836 815	494 506	2 398 974	14 732 318	1 580 007	75 741 967	76 950 172
Net book value Dec 2014	5 699 347	52 289 299	533 778	2 029 898	15 264 494	1 133 356	76 950 172	

Properties were revalued 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.

Unaudited Financial Results

for the half year ended 30 June 2015



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\$31 362 338(December 2014: US\$31 804 389) 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	30 June 2015 US\$	31 Dec 2014 US\$
	Opening balance	25 161 306	21 849 043
	Additions	94 351	77 897
	Transfer from other assets	-	2 657 878
	Fair valuation gain	-	576 488
	Closing balance	25 255 657	25 161 306

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

The rental income derived from investment properties amounted to US\$545 002 (June 2014: US\$ 721 164) and direct operating expenses amounted to US\$82 213 (June 2014: US\$ 87 665).

17.	INTANGIBLE ASSETS	30 June 2015 US\$	31 Dec 2014 US\$
	Computer software		
	At cost	4 232 919	4 013 282
	Accumulated amortisation	(2 873 345)	(2 673 820)
		1 359 574	1 339 462
	Movement in intangible assets:		
	Opening balance	1 339 462	1 603 965
	Additions	198 201	474 149
	Transfer from property and equipment	21 436	120 750
	Amortisation charge	(199 525)	(859 402)
	Closing balance	1 359 574	1 339 462

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	30 June 2015 US\$	31 Dec 2014 US\$
	Analysis of temporary differences		
18.1	Deferred tax asset		
	Opening balance	17 215 314	16 050 111
	Assessed loss	-	263 977
	Impairments and provisions	990 769	3 777 181
	Tax claimable impairments	3 637 737	(4 908 545)
	Other	(678 776)	2 032 590
	Closing balance	21 165 044	17 215 314
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
		-	547 980

The deferred tax included in the statement of financial position and changes recorded in the income tax expense are comprised of:			
		30 June 2015 US\$	31 Dec 2014 US\$
	Fair value adjustments	(33 870)	98 392
	Prepayments	(8 621)	16 429
	Property and equipment	137 736	404 639
	Other	(162 678)	(1 042 263)
		(67 433)	(522 803)
	Add:		
	Opening balance	2 606 658	2 581 481
	Closing balance	2 539 225	2 606 658

19.	DEPOSITS	30 June 2015 US\$	31 Dec 2014 US\$
	Call deposits	29 981 488	23 671 484
	Savings and other deposits	617 385 899	608 023 548
	Money market deposits	854 195 423	537 399 502
	Lines of credit	172 483 172	234 727 287
	Accrued interest	21 515 828	13 109 056
		1 695 561 810	1 416 930 877
19.1	Deposits by source		
	Money market	901 670 282	570 786 502
	Customers	618 923 462	609 567 589
	Lines of credit	174 968 066	236 576 786
		1 695 561 810	1 416 930 877
19.2	Deposits by type		
	Retail	118 089 447	103 847 578
	Corporate	500 834 015	505 720 011
	Money market	901 670 282	570 786 502
	Lines of credit	174 968 066	236 576 786
		1 695 561 810	1 416 930 877

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	30 June 2015 US\$	%	31 Dec 2014 US\$	%
	Private	92 687 599	5	83 693 796	6
	Agriculture	51 035 935	3	35 739 298	2
	Mining	15 566 136	1	10 792 075	1
	Manufacturing	189 341 878	11	78 303 262	6
	Distribution	320 541 350	19	135 342 475	10
	Construction	36 112 038	2	25 282 409	2
	Transport	24 684 104	2	17 285 714	1
	Communication	31 050 426	2	31 564 254	2
	Services	432 575 084	26	442 694 646	31
	Financial organisations	461 991 034	27	525 654 196	37
	Financial and investments	39 976 226	2	30 578 752	2
		1 695 561 810	100	1 416 930 877	100

19.4	Maturity analysis	31 June 2015 US\$	31 Dec 2014 US\$
	Less than 1 month	740 146 939	602 465 271
	Between 1 and 3 months	161 070 795	100 964 340
	Between 3 and 6 months	127 482 724	57 606 556
	Between 6 months and 1 year	389 011 275	308 929 280
	Between 1 and 5 years	160 287 430	317 679 170
	More than 5 years	117 562 647	29 286 260
		1 695 561 810	1 416 930 877

Maturity analysis is based on the remaining period from 30 June 2015 to contractual maturity.

20.	INSURANCE LIABILITIES		
	Reinsurance payables	1 439 078	695 165
	Gross outstanding claims	530 467	1 066 353
	Gross unearned premium reserve	4 538 419	3 082 376
	Deferred reinsurance acquisition revenue	532 698	290 824
		7 040 662	5 134 718

20.1	Insurance contract provisions			
	(a) Provision for unearned premiums	Gross US\$	Reinsurance US\$	Net US\$
	June 2015			
	Unearned premiums beginning of period	3 864 655	1 259 712	2 604 943
	Written premiums	13 693 978	3 892 166	9 801 812
	Premiums earned during the period	(11 150 879)	(2 722 894)	(8 427 985)
	Unearned premiums at end of the period	6 407 754	2 428 984	3 978 770
	Outstanding claims provision			
	Outstanding claims at beginning of period	1 051 861	350 731	701 130
	Claims incurred	2 885 802	962 147	1 923 655
	Incurred but not reported claims provision (IBNR)	869 613	-	869 613
	Claims paid	(1 215 728)	(1 176 503)	(39 225)
	Outstanding claims at end of the period	3 591 548	136 375	3 455 173

(b) Reinsurance payables	Gross US\$	Reinsurance US\$
June 2015		
Reinsurance payables at beginning of period	695 165	549 367
Premiums ceded during the period	3 892 166	4 437 143
Reinsurance paid	(2 931 640)	(4 291 345)
Reinsurance payables at end of the period	1 655 691	695 165

(c) Commissions	Unearned Commission US\$	Deferred Acquisition US\$	Net US\$
Unearned at the beginning of period	290 824	350 539	(59 715)
Written premiums	763 113	755 417	7 696
Earned during the period	(521 239)	(559 002)	37 763
Unearned at end of period	532 698	546 954	(14 256)

(d) Net claims	30 June 2015 US\$	31 Dec 2014 US\$
Gross claims incurred	2 511 789	5 197 235
Reinsurance claims	(962 147)	(1 413 805)
Incurred but not yet reported claims	869 613	683 132
Gross outstanding claims	488 353	612 305
Reinsurance share of outstanding claims	(213 539)	(227 832)
	2 694 069	4 851 035

(e) Net commissions	30 June 2015 US\$	31 Dec 2014 US\$
Commission received	863 759	973 514
Commission paid	(1 902 622)	(2 479 129)
Deferred acquisition costs	83 582	28 641
Net commission	(955 281)	(1 476 974)

21.	LIFE FUND	Unearned Premium Reserve US\$	Incurred But Not Reported US\$	Guaranteed Education Plan Provision US\$	Total US\$
	June 2015				
	Opening balance	773 062	625 658	912 773	2 311 493
	Transfer from income	1 018 505	145 494	-	1 163 999
	Interest on CEP Fund	-	-	47 044	47 044
	Early Maturity CEP claims	-	-	145 923	145 923
	Closing balance	1 791 567	771 152	1 105 740	3 668 459

22.	OTHER LIABILITIES	30 June 2015 US\$	31 Dec 2014 US\$
	Revenue received in advance	422 645	3 236 546
	Sundry creditors	8 989 455	6 521 473
	Other	3 776 456	1 756 708
		13 188 556	11 514 727

23.	EQUITY AND RESERVES		
23.1	Share capital		
	Authorised		
	1 000 000 000 ordinary shares of US\$ 0.01each	10 000 000	10 000 000
	Issued and fully paid		
	686 629 151 ordinary shares of US\$ 0.01each(2014: 686 606 495)	6 866 292	6 866 065

	Opening balance	6 866 065	6 862 084
	Exercise of share options	227	3 981
	Closing balance	6 866 292	6 866 065

23.2	Share premium		
	Opening balance	39 983 305	26 938 904
	Exercise of Share option reserve	2 526	44 401
	Transfer from non-distributable reserve	-	13 000 000
	Closing balance	39 985 831	39 983 305

23.3	Treasury shares		
	Opening balance	13 503 280	6 104 335
	Share buyback	2 154 781	7 398 945
	Closing balance	15 658 061	13 503 280

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

	30 June 2015 US\$	31 Dec 2014 US\$
23.5 Revaluation reserve		
Opening balance	26 305 791	23 606 200
Net revaluation gain	-	2 699 591
Closing balance	26 305 791	26 305 791
23.6 Employee share option reserve		
Opening balance	907 067	772 890
Share options to employees	70 622	134 177
Closing balance	977 689	907 067

During the half year 22 656 shares were exercised after vesting and US\$1 996 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 30 June 2015 were as follows:

	Subscription price	Number of Shares
Granted 1 June 2012	\$0.0881	40 000 000
	30 June 2015 Shares	31 Dec 2014 Shares
Movement for the period		
Balance at the beginning of the period	37 553 747	37 951 792
Options exercised	(22 656)	(398 045)
Balance at the end of the period	37 531 091	37 553 747

A valuation of the share option scheme was carried out by professional valuers. 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.

	30 June 2015 US\$	31 Dec 2014 US\$
23.7 Revenue reserve		
The revenue reserve comprises:		
Holding company	21 126 394	21 230 305
Subsidiary companies	166 145 223	153 407 951
Effects of consolidation journals	(3 868 553)	(3 791 986)
	183 403 064	170 846 270
23.8 Non-controlling interests		
Non-controlling interests comprise:		
Opening balance	284 414	669 251
Total comprehensive income	86 439	85 688
Equity disposal	-	(470 525)
Closing balance	370 853	284 414
23.8.1 Non controlling interest acquisition		
CBZ Holdings acquired further shareholding in its subsidiary (CBZ Insurance) in 2014 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)
	-	(20 995)

24. CATEGORIES OF FINANCIAL INSTRUMENTS

	At fair value through profit or loss US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
Financial assets					
Balances with banks and cash	-	-	107 271 220	-	107 271 220
Money market assets	-	-	512 849 272	-	512 849 272
Advances	-	-	1 113 031 663	-	1 113 031 663
Insurance assets	-	-	6 644 924	-	6 644 924
Investments	5 965 814	480 770	-	-	6 446 584
Other assets	-	-	13 526 600	-	13 526 600
Total	5 965 814	480 770	1 753 323 679	-	1 759 770 263
Financial liabilities					
Deposits	-	-	-	1 695 561 810	1 695 561 810
Life fund	-	-	-	3 668 459	3 668 459
Insurance liabilities	-	-	-	7 040 662	7 040 662
Other liabilities	-	-	-	13 188 556	13 188 556
Total	-	-	-	1 719 459 487	1 719 459 487

	At fair value through profit or loss US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
31 December 2014					
Financial assets					
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
Total	4 982 148	480 770	1 497 484 367	-	1 502 947 285
Financial liabilities					
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
Total	-	-	-	1 435 891 815	1 435 891 815

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.
CBZ Asset Management (Private) Limited	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.
CBZ Insurance (Private) Limited	Provides short term insurance.
CBZ Properties (Private) Limited	Property investment arm of the business.
CBZ Life (Private) Limited	Provides long term insurance.
CBZ Asset Management (Mauritius)	Provides fund management services to a wide spectrum of investors through placement of either pooled portfolios or individual portfolios.

The table below shows the segment operational results for the half year ended 30 June 2015:

28.1 Segment operational results

	Commercial banking US\$	Mortgage finance US\$	Asset management US\$	Insurance US\$	Property Investment US\$	Other operations US\$	Elimination of intersegment amounts US\$	Consolidated US\$
Income								
Total income for the period ended 30 June 2015	58 248 213	16 038 691	1 049 079	7 359 591	24 395	(532 722)	66 002	82 253 249
Total income for the period ended 30 June 2014	52 593 787	12 215 336	1 003 634	3 831 500	31 296	863 213	(971 124)	69 567 642
Depreciation and amortisation for the period ended 30 June 2015	2 657 757	924 928	90 655	144 714	-	55 970	125 158	3 999 182
Depreciation and amortisation for the period ended 30 June 2014	2 459 590	956 003	93 715	114 114	-	66 181	58 251	3 747 854
Impairment of assets for the period ended 30 June 2015	12 497 724	1 632 854	-	246 984	-	-	-	14 377 562
Impairment of assets for the period ended 30 June 2014	7 237 038	235 401	-	104 948	-	-	-	7 577 387
Results								
Profit before taxation for the period ended 30 June 2015	9 446 893	2 915 629	47 117	3 576 569	19 047	(1 166 098)	(22 357)	14 816 800
Profit before taxation for the period ended 30 June 2014	8 602 089	5 953 171	112 421	1 063 087	27 533	159 159	(1 000 667)	14 916 793
Cash flows:								
Generated from operating activities for the period ended 30 June 2015	29 155 760	329 421	6 670	1 354 882	14 410	1 283 18 7	1 525 094	33 669 424
Used in operating activities for the period ended 30 June 2014	(18 893 557)	728 404	31 468	52 109	1 094 217	392 480	1 166 988	(15 427 891)
Generated from investing activities for the period ended 30 June 2015	5 072 583	(104 100)	(5 310)	(180 340)	(73 508)	(2 020 450)	866 300	3 555 175
Used in investing activities for the period ended 30 June 2014	(6 570 744)	(459 063)	(76 880)	(181 666)	(26 131)	(501 200)	-	(7 815 684)
Used in financing activities for the period ended 30 June 2015	-	-	-	866 300	-	(3 249 389)	(866 300)	(3 249 389)
Used in financing activities for the period ended 30 June 2014	-	-	-	-	(1 000 000)	(2 310 340)	1 000 000	(2 310 340)
Assets and liabilities								
Reportable segment liabilities for the period ended 30 June 2015	1 671 874 606	124 114 631	485 743	12 140 349	1 428 370	4 326 576	(92 311 445)	1 722 058 830
Reportable segment liabilities for the period ended 31 Dec 2014	1 392 496 591	145 402 597	436 012	8 577 965	1 432 895	3 022 432	(112 704 872)	1 438 663 620
Total segment assets for the period ended 30 June 2015	1 806 349 593	205 843 253	2 925 787	27 026 275	10 759 700	55 524 189	(144 118 508)	1 964 310 289
Total segment assets for the period ended 31 Dec 2014	1 518 413 377	224 215 589	2 841 965	19 229 814	10 745 290	58 562 723	(163 655 506)	1 670 353 252

29. RELATED PARTIES

The ultimate parent of the Group is CBZ Holdings Limited. Related parties are those companies owned by Directors of the Group who have the power to exercise control over the management or financial and operating policies of the Group. The Group carries out banking and investment related transactions with related parties, all of which were undertaken at arm’s length and in compliance with the relevant Banking Regulations.

30 June 2015	Gross limits US\$	Utilised limits US\$	Value of security US\$	Percentage of capital
Loans to entities related to directors	5 861 816	4 924 814	6 673 674	3.0%
31 December 2014				
Loans to entities related to directors	5 861 816	5 436 334	5 901 674	2.5%

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

	30 June 2015 US\$	31 Dec 2014 US\$
Interest income	534 215	815 863
Commission and fee income	32 268	10 478
	566 483	826 341

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 results.

30. CLOSING EXCHANGE RATES

	30 June 2015 US\$	31 Dec 2014 US\$
ZAR	12.2450	11.5798
GBP	1.5574	1.5560
EUR	1.1173	1.2152

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 policies, processes and governance structures.

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

Unaudited Financial Results

for the half year ended 30 June 2015



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 profile and by credit rating. Concentration is monitored and reviewed through the responsible risk committees set up by the Board.

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

Credit mitigation

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

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.

Non-performing loans and advances is where, for example, a specific provision for 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.

Non-performing loans and advances are defined as loans and advances where the Group has raised a specific provision for impairment. A specific provision for 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 and makes general provisions.

31.3. (a) Credit risk exposure

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

	30 June 2015 US\$	31 Dec 2014 US\$
Balances with banks	77 298 745	44 056 863
Money market assets	512 849 272	240 402 431
Advances	1 113 031 663	1 125 938 280
Other assets	13 526 600	46 065 681
Total	1 716 706 280	1 456 463 255
Contingent liabilities	145 409 692	145 598 708
Commitments	2 357 513	450 465
Total	147 767 205	146 049 173

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\$77 298 745 (excluding notes and coins) as at 30 June 2015, 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):

	30 June 2015 US\$	31 Dec 2014 US\$
1 to 3 months	364 650 138	386 767 615

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)

	30 June 2015 US\$	31 Dec 2014 US\$
3 to 6 months	61 844 567	69 765 678
6 months and above	22 886 735	17 328 643
Total	84 731 302	87 094 321

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

	30 June 2015 US\$	30 June 2015 US\$	31 Dec 2014 US\$	31 Dec 2014 US\$
	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)
Private	164 933 934	31 143 745	116 692 382	28 546 809
Agriculture	348 088 849	120 563 031	337 137 187	107 343 537
Mining	12 828 940	11 417 387	20 142 355	3 268 421
Manufacturing	76 352 333	59 693 283	97 172 797	52 818 285
Distribution	271 187 166	110 102 338	293 006 084	100 876 766
Construction	4 671 030	1 451 516	4 635 813	2 637 273
Transport	14 594 624	7 878 829	22 777 858	16 707 418
Communication	6 967 457	4 674 231	6 927 291	4 594 723
Services	262 376 485	19 775 749	271 335 148	17 498 136
Financial organisations	22 500 293	-	21 943 323	-
Total	1 184 501 111	366 700 109	1 191 770 238	334 291 368

	30 June 2015 US\$	31 Dec 2014 US\$
Collateral held		
Mortgage bonds	831 455 914	857 478 870
Cash cover	208 527 233	151 961 284
Other forms of security including Notarial General Covering Bonds (NGCBs) cessions, etc.	847 629 602	754 069 932
Total	1 887 612 749	1 763 510 086

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;

	30 June 2015 US\$	31 Dec 2014 US\$
Against doubtful* and loss* grades		
Property	9 546 980	4 005 082
Other	14 325 112	14 899 320
Against substandard* grade		
Property	17 095 807	24 058 503
Other	62 572 906	48 297 547
Against special mention* grade		
Property	163 517 856	195 688 144
Other	245 160 372	224 489 903
Against normal* grade		
Property	641 295 271	633 727 141
Other	734 098 445	618 344 446
Total	1 887 612 749	1 763 510 086

*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.

JUNE 2015

	*Normal grade US\$	*Special mention grade US\$	*Sub- standard grade US\$	*Doubtful and loss grade US\$	Total US\$
Advances					
Agriculture	127 497 779	206 739 974	10 134 018	3 717 078	348 088 849
Manufacturing	59 408 298	15 601 778	1 342 257	-	76 352 333
Commercial	211 253 005	36 130 281	11 669 437	3 323 762	262 376 485
Individuals and households	132 916 267	26 620 548	4 787 688	609 431	164 933 934
Mining	6 390 717	6 051 438	386 785	-	12 828 940
Distribution	158 289 080	71 327 956	30 066 601	11 503 529	271 187 166
Construction	3 421 730	1 120 015	-	129 285	4 671 030
Transport	12 016 677	910 103	1 071 834	596 010	14 594 624
Communication	6 967 457	-	-	-	6 967 457
Financial services	16 958 661	148 045	2 385 947	3 007 640	22 500 293
Total	735 119 671	364 650 138	61 844 567	22 886 735	1 184 501 111

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\$145 409 692.

DECEMBER 2014

	*Normal grade US\$	*Special mention grade US\$	*Sub- standard grade US\$	*Doubtful and loss grade US\$	Total US\$
Advances					
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
Total	717 908 302	386 767 615	69 765 678	17 328 643	1 191 770 238

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.

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.

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,
- if the asset in question is past due for more than 30 days but less than 90 days; or
 - 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,
- if the asset in question is past due for more than 90 days but less than 180 days; or
 - 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
 - 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,
- if the asset in question is past due for more than 180 days but less than 360 days; or
 - 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 recognises two types of liquidity risks i.e. Market liquidity risk and Funding liquidity risk.

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

Funding risk on the other hand is the risk that the Group will not be able to efficiently meet both its expected as well as the unexpected current and future cash flow needs without affecting the financial condition of the Group. The Group's liquidity risk management framework ensures that limits are set under respective Group Strategic business units relating to 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 profile. The Group tries to ensure through the ALCO processes and statement of finacial 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 30 JUNE 2015

	Less than 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Total US\$
Assets							
Advances	581 474 999	6 753 911	108 892 762	103 933 681	126 037 611	185 938 699	1 113 031 663
Balances with banks and cash	107 271 220	-	-	-	-	-	107 271 220
Money market assets	24 576 158	135 703 304	4 957 910	4 157 593	177 150 570	166 303 737	512 849 272
Financial guarantees	1 117 656	941 419	6 220 074	122 350 543	3 100 000	11 680 000	145 409 692
Current tax receivable	-	-	-	-	-	-	-
Other liquid assets	748 058	12 778 542	-	-	-	-	13 526 600
Total	715 188 091	156 177 176	120 070 746	230 441 817	306 288 181	363 922 436	1 892 088 447
Liabilities							
Deposits	740 146 939	161 070 795	127 482 724	389 011 275	160 287 430	117 562 647	1 695 561 810
Current tax payable	-	60 118	-	-	-	-	60 118
Other liabilities	469 418	12 719 138	-	-	-	-	13 188 556
Financial guarantees	1 117 656	941 419	6 220 074	122 350 543	3 100 000	11 680 000	145 409 692
Total	741 734 013	174 791 470	133 702 798	511 361 818	163 387 430	129 242 647	1 854 220 176
Liquidity gap	(26 545 922)	(18 614 294)	(13 632 052)	(280 920 001)	142 900 751	234 679 789	37 868 271
Cumulative liquidity gap	(26 545 922)	(45 160 216)	(58 792 268)	(339 712 269)	(196 811 518)	37 868 271	37 868 271

LIQUIDITY PROFILE AS AT 31 DECEMBER 2014

	Less than 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Total US\$
Assets							
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
Other liquid assets	756 602	41 371 164	-	3 937 915	-	-	46 065 681
Total	648 176 955	152 766 674	28 515 625	218 602 548	425 585 500	167 022 362	1 640 669 664
Liabilities							
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
Total	604 312 845	114 790 482	63 442 397	315 053 023	440 779 170	40 966 260	1 579 344 177
Liquidity gap	43 864 110	37 976 192	(34 926 772)	(96 450 475)	(15 193 670)	126 056 102	61 325 487
Cumulative liquidity gap	43 864 110	81 840 302	46 913 530	(49 536 945)	(64 730 615)	61 325 487	61 325 487

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 2014	35
At 30 June 2015	48
Average for the period	36
Maximum for the period	48
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 and various interest rate risk hedging strategies. The use of stress testing is an integral part of the interest rate risk management framework and considers both the historical market events as well as anticipated future scenarios. The Group and its SBUs denominate their credit facilities in the base currency, the USD in order to minimise cross currency interest rate risk. The Group's interest rate risk profiling is illustrated on the next table.

31.5.1 Interest rate repricing

30 JUNE 2015

	Less than 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Non-interest bearing US\$	Total US\$
Assets								
Balances with banks and cash	107 271 220	-	-	-	-	-	-	107 271 220
Money market assets	24 576 158	135 703 304	4 957 910	4 157 593	177 150 570	166 303 737	-	512 849 272
Advances	581 474 999	6 753 911	108 892 762	103 933 681	126 037 611	185 938 699	-	1 113 031 663
Insurance assets	-	-	-	-	-	-	6 644 924	6 644 924
Other assets	-	-	-	-	-	-	94 544 384	94 544 384
Investment in other financial assets	-	-	-	-	-	-	6 446 584	6 446 584
Investment properties	-	-	-	-	-	-	25 255 657	25 255 657
Property and equipment	-	-	-	-	-	-	75 741 967	75 741 967
Deferred taxation	-	-	-	-	-	-	1 359 574	1 359 574
Intangible assets	-	-	-	-	-	-	21 165 044	21 165 044
Current tax receivable	-	-	-	-	-	-	-	-
Total assets	713 322 377	142 457 215	113 850 672	108 091 274	303 188 181	352 242 436	231 158 134	1 964 310 289
Equity and liabilities								
Deposits	740 146 939	161 070 795	127 482 724	389 011 275	160 287 430	117 562 647	-	1 695 561 810
Insurance liabilities	-	-	-	-	-	-	7 040 662	7 040 662
Life fund	-	-	-	-	-	-	3 668 459	3 668 459
Other liabilities	-	-	-	-	-	-	13 188 556	13 188 556
Deferred taxation	-	-	-	-	-	-	2 539 225	2 539 225
Current tax payable	-	-	-	-	-	-	60 118	60 118
Equity and reserves	-	-	-	-	-	-	242 251 459	242 251 459
Total equity and liabilities	740 146 939	161 070 795	127 482 724	389 011 275	160 287 430	117 562 647	268 748 479	1 964 310 289

Interest rate repricing gap	(26 824 562)	(18 613 580)	(13 632 052)	(280 920 001)	142 900 751	234 679 789	(37 590 345)	-
Cumulative gap	(26 824 562)	(45 438 142)	(59 070 194)	(339 990 195)	(197 089 444)	37 590 345	-	-

31 DECEMBER 2014

	Less than 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	5 years and above US\$	Non-interest bearing US\$	Total US\$
Assets								
Balances with banks and cash	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
Total assets	646 017 328	107 813 762	23 013 244	212 594 492	302 523 417	155 304 445	223 086 564	1 670 353 252
Equity and liabilities								
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
Total equity and liabilities	602 465 271	100 964 340	57 606 556	308 929 280	317 679 170	29 286 260	253 422 375	1 670 353 252

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

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 30 June 2015, 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\$64 317 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 30 June 2015 is as below:

Foreign currency position as at 30 June 2015

Position expressed in US\$

	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	107 271 220	100 673 881	4 061 308	747 473	1 788 558
Money market assets	512 849 272	512 849 272	-	-	-
Advances	1 113 031 663	1 095 815 797	19 767	165	17 195 934
Insurance assets	6 644 924	6 644 924	-	-	-
Other assets	94 544 384	93 955 759	193 869	294 524	100 232
Investment in equities	6 446 584	6 302 683	-	-	143 901
Investment properties	25 255 657	25 255 657	-	-	-
Property and equipment	75 741 967	75 658 633	7 225	-	76 109
Deferred taxation	21 165 044	21 165 044	-	-	-
Intangible assets	1 359 574	1 359 574	-	-	-
Current tax receivable	-	-	-	-	-
Total assets	1 964 310 289	1 939 681 224	4 282 169	1 042 162	19 304 734

Unaudited Financial Results

for the half year ended 30 June 2015

Foreign currency position as at 30 June 2015

Underlying currency	ZAR	GBP	Other foreign currencies in US\$
Assets			
Cash and short term assets	49 730 718	475 371	1 788 558
Advances	242 048	105	17 195 934
Investment in equities	-	-	143 901
Other assets	2 373 928	187 309	100 232
Property and equipment	88 471	-	76 109
Total assets	52 435 165	662 785	19 304 734
Liabilities			
Deposits	109 903 234	245 826	16 497 439
Other liabilities	501 924	9 206	607
Total liabilities	110 405 158	255 032	16 498 046
Net position	(57 969 993)	407 753	2 806 688

Foreign currency position as at 31 December 2014

Underlying currency	ZAR	GBP	Other foreign currencies in US\$
Assets			
Cash and short term assets	107 128 036	421 839	645 600
Advances	183 302	235	535 097
Investment in equities	-	-	143 643
Other assets	2 167 124	38 309	58 009
Property and equipment	79 747	-	76 109
Total assets	109 558 209	460 383	1 458 458
Liabilities			
Deposits	149 414 292	288 997	992 456
Other liabilities	44 895	6 891	1 647
Total liabilities	149 459 187	295 888	994 103
Net position	(39 900 978)	164 495	464 355

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

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

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

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

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

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

- a.

b.

c.

d.
- Comprehensive and consistent compliance policies and procedures exist covering the Group and its SBUs;

A proactive and complete summary statement of the Group and its SBUs position on ethics and compliance exists;

A reporting structure of the Group Enterprise Wide Compliance Function exists that ensures independence and effectiveness; and

Periodic compliance and awareness training targeting employees in compliance sensitive areas is carried out.

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

- a.

b.

c.
- continuous improvements of the Group's operating facilities to ensure that they remain within the taste of the Group's various stakeholders;

ensuring that staff subscribe to the Group's code of conduct, code of ethics and general business ethics; and

stakeholders' feedback systems that ensures proactive attention to the Group's reputation management.

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

a.

b.

c.

d.

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.

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

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

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

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

31.13 Risk and Credit Ratings

31.13.1 External Credit Rating

CBZ Bank Limited											
Rating agent	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating (Short Term)	A1	A1	A1	-	-	-	-	-	-	A1	A1
Global Credit Rating (Long Term)	A	A+	A+	A+	A+	A	A	A	A+	A+	A

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

31.12.2 Reserve Bank Ratings

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

Key

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

CBZ Group					Key
Risk Matrix Summary					Level of Inherent risk
Type of risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk	Low- reflects a lower than average probability of an adverse impact on a institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the institution's overall financial condition.
Credit Risk	Moderate	Acceptable	Moderate	Stable	Moderate- could reasonably be expected to result in a loss which could be absorbed by an institution in the normal course of business.
Liquidity Risk	Moderate	Acceptable	Moderate	Stable	High- reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the institution.
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable	Adequacy of Risk Management Systems
Foreign Exchange Risk	Low	Acceptable	Low	Stable	Weak – risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written down policies and procedures.
Strategic Risk	Moderate	Acceptable	Moderate	Stable	Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.
Operational Risk	Moderate	Acceptable	Moderate	Stable	Strong - management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the financial institution's risk tolerance, responsibilities are effectively communicated.
Legal & Compliance Risk	Low	Acceptable	Low	Stable	Overall Composite Risk
Reputation Risk	Moderate	Acceptable	Moderate	Stable	Low Risk - would be assigned to low inherent risk areas. Moderate risk areas may be assigned a low composite risk where internal controls and risk management systems are strong and effectively mitigate much of the risk.
Overall	Moderate	Acceptable	Moderate	Stable	Moderate Risk - risk management effectively identifies and controls all types of risk posed by the relevant functional area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

CBZ Bank Limited					Key
Risk Matrix Summary					Level of Inherent risk
Type of risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk	High Risk - risk management systems do not significantly mitigate the high inherent risk. Thus the activity could potentially result in a financial loss that would have a significant impact on the financial institution's overall condition, even in some cases where the systems are considered strong.
Credit Risk	Moderate	Acceptable	Moderate	Stable	Direction of Overall Composite
Liquidity Risk	Moderate	Acceptable	Moderate	Stable	Increasing - based on the current information, composite risk is expected to increase in the next twelve months.
Interest Rate Risk	Moderate	Acceptable	Moderate	Stable	Decreasing - based on current information, composite risk is expected to decrease in the next twelve months.
Foreign Exchange Risk	Low	Acceptable	Low	Stable	Stable - based on the current information, composite risk is expected to be stable in the next twelve months.
Strategic Risk	Moderate	Acceptable	Moderate	Stable	
Operational Risk	Moderate	Acceptable	Moderate	Stable	
Legal & Compliance Risk	Low	Acceptable	Low	Stable	
Reputation Risk	Moderate	Acceptable	Moderate	Stable	
Overall	Moderate	Acceptable	Moderate	Stable	

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

OUR APPROACH TO CORPORATE GOVERNANCE

The Group recognizes the need to conduct the affairs of the company with integrity and in line with best corporate governance practices. In order to protect stakeholders' interests at all times, the Group has designed systems, procedures and practices that foster a culture that values ethical behaviour, integrity and respect.

The Group continues to apply high corporate governance standards aimed at ensuring the on-going sustainability of the business, the creation of long-term shareholder value and stakeholder benefit from the Group's on-going success. The Board of Directors is responsible for ensuring that the Group has a clearly defined governance and compliance framework. The Board is primarily accountable to shareholders, while also considering the interests of other stakeholders such as customers, employees, suppliers, regulators and community. In an environment of increasing change and complexity of regulation, Management aims to achieve a balance between the governance expectations of shareholders and other stakeholders, and the need to generate competitive financial returns.

OUR GOVERNANCE STRUCTURE



THE BOARD OF DIRECTORS

This is the main decision making body, setting the strategic direction of the Group and ensuring that the Group manages risk effectively. The Board is collectively responsible for the long term success of the company and is accountable to shareholders for financial and operational performance. In addition, the Board is responsible for the overall stewardship of the Group and in particular for its long term growth and profitability through implementation of agreed strategic imperatives, policies and financial objectives.

The Board has overall responsibility for:-

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- Establishment of Group strategy and consideration of strategic challenges;

Management of the business and affairs of the Group.

Ensuring that the Group manages risk effectively through the approval and monitoring of the Group's risk appetite.

Allocation and raising of capital

Preparation and approval of the Group's annual report and accounts.

Composition of the Board

The Board currently comprises twelve Directors, being a Non-Executive Chairman, two Executive Directors and nine Non-Executive Directors. The Board of Directors has a wide range of skills, experience and expertise together with a proper understanding of and competence to deal with current and emerging issues of the business.

Appointment of New Directors

The appointment of new Directors is based on pre-established criteria having regard to the existing skills matrix of the Board as a whole and having assessed areas where additional skill, expertise or experience is required. Appointments to the Board are made with due cognisance of the need to ensure that the Board comprises a diverse range of skills, knowledge and expertise and has the requisite independence, including the professional and industry knowledge necessary to meet the Group's strategic objectives. All appointments follow a transparent procedure and are subject to confirmation by shareholders at our Annual General Meeting. Before appointment, potential Board appointees must undergo a Fitness and Probity Assessment in line with the Reserve Bank of Zimbabwe (RBZ) Prudential Guidelines and the Banking Act. In accordance with this process, Messrs Richard Dawes, Richard Zirobwa and Ian Harold Harris were appointed to the Board of Directors of CBZ Holdings Limited during the half-year ended 30 June 2015.

The Chairman of the Board

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

- ▪

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▪
- Provide strong and effective leadership to the Board.

Ensure the Board is structured effectively and observes the highest standards of integrity and corporate governance.

Manage the business of the Board and set the agenda, style and tone of Board discussions to provide effective decision making and constructive debate

Ensure that the performance of individual directors and of the Board as a whole and its committees is revaluated annually

Ensure that the Group maintains effective communication with shareholders and other stakeholders

Non-Executive Directors

Along with the Chairman and Executive Directors, the Non-Executive Directors are responsible for ensuring that the Board fulfils its responsibilities under its Charter. The non-executive directors combine broad business and commercial experience with independent and objective judgement and provide independent challenge to executive directors and the leadership team. The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across the Group's business activities.

Independence of Directors

As required under the Board Charter, the majority of the Board, including the Chairman, are independent Directors. Directors must notify the Group about any conflict of interest, potential material relationship with the Group or circumstance relevant to his/her independence.

Diversity and Inclusion

The Group understands the importance of diversity and with regard to gender diversity, recognises the importance of women having representation at key decision making points. The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Group. However, all appointments to the Board are ultimately based on merit measured against objective criteria and the skills and experience an individual brings to the Board. The Board values and is committed to promoting gender and ethnic diversity at Board level where possible.

Openness and Transparency

The Board has unrestricted access to Company information, records, documents and management. Efficient and timely procedures for briefing Board members before Board meetings have been developed and implemented. The information provided to Directors enables them to reach objective and well-informed decisions.

A range of non-financial information is also provided to the board to enable it to consider qualitative performance factors that involve broader stakeholder interests. The Directors are empowered to obtain independent professional advice at the Group's expense, should they consider it necessary.

All Directors have access to the Group CEO's direct reports, including the Group Legal Corporate Secretary, to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as they consider appropriate.

Conflicts of Interest

In terms of the Companies Act, if a director has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a personal financial interest, the Director is obliged to disclose the interest and its general nature, recuse themselves and not take part in the consideration of the matter. Each Director is required to notify the Board of any actual or potential conflicts of interest to the Board and to update the board on an on-going basis when they become aware of any changes. A schedule of Directors' Interests is reviewed and signed by the Directors each quarter before any board meeting. The

disclosure of interests allows Directors to discharge their responsibilities effectively. The Group Legal Corporate Secretary maintains a register of directors’ interests, which is tabled to the Board quarterly and any changes are submitted to the Board as they occur.

BOARD COMMITTEES

The Board Committees continued to play a crucial role in the company's governance framework, undertaking their work comprehensively and effectively supporting the work of the Board.

The Board has established and delegated specific roles and responsibilities to four standing committees, to assist it in discharging its duties and responsibilities. The Terms of Reference of each committee are approved by the Board and reviewed annually or as necessary. All committees are chaired by independent Non-Executive Directors.

The Committees meet quarterly in accordance with their Terms of Reference and Members of the Executive Committee and other management attend meetings of the various committees by invitation. The Board receives the minutes of each of the committee's meetings in advance. In addition, the committee chairpersons update the full Board on agenda items covered and resolutions made by their respective committee.

This framework ensures that there is a balance of power and that no individual has unlimited decision-making powers. All board-delegated authorities are reviewed and updated annually by the Board. The Board evaluates the performance and effectiveness of Board Committees every year and the Board is of the view that these committees have effectively discharged the responsibilities as outlined in the respective terms of reference.

ANALYSIS OF THE COMMITTEES

The Boards of Directors of the various units as at 30 June 2015 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	Mabeza-Chimedza R	Naik, B S	Naik, B S	Masunda, V (Dr)
Bere, T	Harnden, S G R	Harris, I H	Nyemudzo, N	Zizhou, F B
Dernawi, F M	Pasi, R	Bere, T	Chimutsa, C	Nyemudzo, N
Dawes, R W	Chirimuuta, F B	Nyemudzo, N	Mureriwa, N**	Chimutsa, C
Nhamo, R	Wilde, R V	Chimutsa, C		Mureriwa, N**
Pasi, R	Madzonga, P S	Smith, J F**		
Taputaira, G	Whata, P S	Muzadzi, T**		
Zirobwa, R	Nyemudzo, N			
Harris, I H	Chimutsa, C			
Nyemudzo, N**	Zimunya, P**			
Chimutsa, C**	Mudondo, M T**			

* Board Chairman
** Executive Director

CBZ HOLDINGS LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to June 2015)

	Audit & Fi-nance	Risk Management & Compliance	Human Resources & Corporate Governance	Innovation & Strategy	Main Board
Number of Meetings Held	2	2	2	2	2
Bere, T	**	2	2	**	2
Dawes, R	**	**	**	2	2
Dernawi, F M	**	2	**	2	2
Harris, I H	2	**	**	**	2
Mugamu, E	**	2	**	1	2
Nhamo, R	**	**	2	**	2
Pasi, R	**	2	**	2	2
Taputaira, G	**	**	**	2	2
Wilde, R V	**	**	2	**	2
Zirobwa, R	2	**	**	**	2
Nyemudzo, N*	2	2	2	2	2
C. Chimutsa*	2	2	**	2	2

KEY

* Executive Directors
** Not a Member

Meeting	Number of Meetings Held
AUDIT AND FINANCE	2
RISK MANAGEMENT & COMPLIANCE	2
HUMAN RESOURCES & CORPORATE GOVERNANCE	2
STRATEGY & INNOVATION	2
MAIN BOARD	2

CBZ BANK LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to June 2015)

	ALCO & AUDIT	AUDIT & FINANCE	ALCO	CREDIT	LOANS REVIEW	MAIN BOARD
R V Wilde	1	**	1	2	**	2
S G R Harnden	**	**	**	**	1	1
N Nyemudzo	1	1	1	2	2	2
C Chimutsa	1	1	1	2	**	2
R Mabeza-Chimedza (Dr)	1	**	**	2	**	2
R Pasi	1	**	**	1	**	2
E Mugamu	1	**	1	**	2	2
F B Chirimuuta	**	0	**	1	**	2
P S Whata	1	1	**	**	**	2
P S Madzonga	**	**	1	**	2	2
P Zimunya*	1	1	1	2	2	2
M Mudondo*	1	1	1	2	2	2

* Executive Directors
** Not a committee member

Meeting	Number of Meetings Held
ALCO & AUDIT (RECONSTITUTED)	1
AUDIT & FINANCE	1
ALCO	1
CREDIT	2
LOANS REVIEW	2
MAIN BOARD	2

CBZ ASSET MANAGEMENT (PRIVATE) LIMITED BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER (January to June 2015)

	AUDIT & COMPLIANCE	INVESTMENTS & RISK	MAIN BOARD
Mrs. Naik	**	2	2
Mr. Harris	1	2	2
Mr. Zirobwa	**	**	2
Mr. Bere	**	2	2
Mr. Nyemudzo	1	**	2
Mr. Chimutsa	1	**	2
Mr. Smith*	1	**	2
Mr. Muzadzi*	**	**	2

* Executive Directors
** Not a Member

Meeting	Number of Meetings Held
AUDIT & COMPLIANCE	1
INVESTMENTS & RISK MANAGEMENT	2
MAIN BOARD	2

CBZ LIFE LIMITED BOARD ATTENDANCE REGISTER (January to June 2015)

	INVESTMENTS & RISK	MAIN
R Dawes	***	2
F B Zizhou	**	2
V Masunda (Dr)	1	2
N Nyemudzo	***	2
C Chimutsa	1	2
*N Mureriwa	1	2

Key
* Executive Directors
** Did not attend
*** Not a Member

Meeting	Number of Meetings Held
MAIN BOARD	2
INVESTMENTS & RISK MANAGEMENT	1

CBZ INSURANCE BOARD ATTENDANCE REGISTER (January to June 2015)

	MAIN
R Nhamo	2
S B Naik	1
N Nyemudzo	2
C Chimutsa	2
*N Mureriwa	2

Key
* Executive Directors
** Did not attend

Meeting	Number of Meetings Held
MAIN BOARD	2

GROUP LEGAL CORPORATE SECRETARY

All directors have access to the advice and professional services of the qualified and experienced Group Legal Corporate Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are fully observed. The Group Legal Corporate 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 Legal Corporate Secretary oversees the induction of new directors and assists the Group Chairman and the Group Chief Executive Officer to determine the Board agendas, as well as to formulate governance and Board related issues.

She is also responsible for ensuring that the Board receives accurate, timely and clear information, facilitates good information flows between Board members; leading on the implementation of the recommendations from the annual Board evaluation and monitoring continuing professional development programme of directors.

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

6 August 2015

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Head Office: 3rd Floor, Union House, 60 Kwame Nkrumah, P.O. Box 3313, Harare, Zimbabwe
Tel: (04) 748050/79, 780880-4, 798915, 756233-5 Fax: (04) 758077,
E-mail: info@cbz.co.zw Website: www.cbz.co.zw



Unaudited Financial Results

for the half year ended 30 June 2015



STATEMENT OF COMPREHENSIVE INCOME for the half year ended 30 June 2015

	Notes	30 June 2015 US\$	30 June 2014 US\$
Interest income	2	90 451 633	82 085 803
Interest expense	2	(53 563 084)	(49 221 782)
Net interest income		36 888 549	32 864 021
Non-interest income	3	21 359 664	19 729 766
Total income		58 248 213	52 593 787
Operating expenditure	4	(36 303 596)	(36 754 660)
Operating income		21 944 617	15 839 127
Charge for impairment		(12 497 724)	(7 237 038)
Profit before taxation		9 446 893	8 602 089
Taxation	5	(888 692)	(2 080 328)
Profit for the half year after taxation		8 558 201	6 521 761
Other comprehensive income		-	-
Total comprehensive income for the half year		8 558 201	6 521 761
Profit for the half year attributable to:			
Equity holders of parent		8 558 201	6 521 761
Total comprehensive income attributable to:			
Equity holders of parent		8 558 201	6 521 761
Earnings per share (cents):			
Basic	6.5	3.34	2.55
Fully diluted	6.5	3.34	2.55
Headline	6.5	3.35	2.55

STATEMENT OF FINANCIAL POSITION as at 30 June 2015

	Notes	30 June 2015 US\$	31 Dec 2014 US\$
ASSETS			
Balances with banks and cash	8	103 621 401	69 393 058
Money market assets	9	532 439 508	302 674 385
Advances	10	973 113 977	960 874 733
Other assets	11	124 149 870	107 297 353
Investment in other financial assets	12	452 206	8 082 173
Property and equipment	13	48 781 882	48 909 275
Investment properties	14	5 268 800	5 268 800
Intangible assets	15	375 512	362 337
Deferred taxation	16	18 146 437	14 069 925
Current tax receivable		-	1 481 338
TOTAL ASSETS		1 806 349 593	1 518 413 377
LIABILITIES			
Deposits	17	1 661 414 582	1 382 996 535
Other liabilities	18	10 457 736	9 500 056
Current tax payable		2 288	-
Total liabilities		1 671 874 606	1 392 496 591
EQUITY AND RESERVES			
Share capital	19	5 118 180	5 118 180
Share premium	19.1	16 721 711	16 721 711
Non-distributable reserve	19.2	-	-
Revaluation reserve	19.3	11 005 355	11 005 355
Revenue reserve	19.4	101 629 741	93 071 540
Total equity and reserves		134 474 987	125 916 786
TOTAL LIABILITIES, EQUITY AND RESERVES		1 806 349 593	1 518 413 377

STATEMENT OF CHANGES IN EQUITY for the half year ended 30 June 2015

	Share capital US\$	Share premium US\$	Non- distributable reserve US\$	Revaluation reserve US\$	Revenue reserve US\$	Total US\$
30 June 2014						
Balance at the beginning of the period	5 118 180	11 198 956	5 522 755	9 434 831	81 487 952	112 762 674
Total comprehensive income	-	-	-	-	6 521 761	6 521 761
Balance at 30 June 2014	5 118 180	11 198 956	5 522 755	9 434 831	88 009 713	119 284 435
30 June 2015						
Balance at the beginning of the period	5 118 180	16 721 711	-	11 005 355	93 071 540	125 916 786
Total comprehensive income	-	-	-	-	8 558 201	8 558 201
Balance at 30 June 2015	5 118 180	16 721 711	-	11 005 355	101 629 741	134 474 987

STATEMENT OF CASH FLOWS for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9 446 893	8 602 089
Non-cash items:		
Depreciation	2 599 298	2 173 184
Amortisation	58 459	286 406
Impairment on advances	12 497 724	7 237 038
Loss on sale of property and equipment	13 845	14 482
Unrealised gain on foreign currency position	(94 263)	(307 530)
Operating cash flows before changes in operating assets and liabilities	24 521 956	18 005 669
Changes in operating assets and liabilities		
Deposits	106 094 435	124 463 606
Advances	(76 682 540)	(32 189 877)
Money market assets	(5 401 676)	(103 709 203)
Other assets	(16 852 517)	(15 052 834)
Other liabilities	957 680	(5 504 217)
	8 115 382	(31 992 525)
Corporate tax paid	(3 481 578)	(4 906 701)
Net cash inflow/(outflow) from operating activities	29 155 760	(18 893 557)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	7 629 967	-
Proceeds on disposal of property and equipment	91 989	363 856
Purchase of property and equipment	(2 599 175)	(6 934 600)
Purchase of intangible assets	(50 198)	-
Net cash inflow/(outflow) from investing activities	5 072 583	(6 570 744)
NET INCREASE/(DECREASE) IN BALANCES WITH BANKS AND CASH	34 228 343	(25 464 301)
Balances with banks and cash at the beginning of the period	69 393 058	148 325 373
Balances with banks and cash at end of the period	103 621 401	122 861 072

NOTES TO THE FINANCIAL RESULTS for the half year ended 30 June 2015

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

Net income from foreign currency dealings
Unrealised gain on foreign currencies
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

Included in staff costs are pension contributions under the National Social Security Authority, a defined contribution fund and the Bank's separate trustee administered fund of US\$1 683 247 (2014: US\$1 836 750).

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
More than 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 period

Current income tax charge
Deferred income tax
Income tax expense

Tax rate reconciliation

Notional Tax
Aids levy
Permanent differences
Temporary differences
Tax credits

Effective rate

6. ANNUALISED 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

	30 June 2015 US\$	30 June 2014 US\$
Interest income		
Bankers acceptances	833 417	1 063 626
Overdrafts	53 238 169	44 486 014
Loans	21 362 597	23 555 043
Staff loans	1 453 421	1 331 347
	76 887 604	70 436 030
Short-term money market assets	13 409 503	8 080 117
Other investments	154 526	3 569 656
	90 451 633	82 085 803
Interest expense		
Savings deposits	5 824 389	4 329 434
Call deposits	643 930	215 424
Money market deposits	40 557 644	33 409 564
Lines of credit	6 537 121	11 267 360
	53 563 084	49 221 782
Net interest income	36 888 549	32 864 021
NON-INTEREST INCOME		
Net income from foreign currency dealings	1 656 498	2 561 275
Unrealised gain on foreign currencies	94 263	307 530
Commission and fee income	18 279 020	14 327 563
Loss on sale of property and equipment	(13 845)	(14 482)
Other operating income	1 343 728	2 547 880
	21 359 664	19 729 766
OPERATING EXPENDITURE		
Staff costs	22 535 527	22 265 163
Administration expenses	10 971 359	11 909 913
Audit fees	138 953	119 994
Depreciation	2 599 298	2 173 184
Amortisation of intangible assets	58 459	286 406
	36 303 596	36 754 660
Operating Leases		
The following is an analysis of expenses related to operating leases		
Non-cancellable leases are paid as follows:		
Less than 1 year	1 662 020	1 722 398
Between 1 and 5 years	1 472 567	1 358 161
More than 5 years	22 034	24 434
	3 156 621	3 104 993

The Bank leases a number of buildings from which branches operate under operating leases. The leases typically run for a period of less than five years with an option to renew the lease after the expiry date. During the period ended 30 June 2015, an amount of US\$822 755 (30 June 2014: US\$864 684) was recognised as rental expenditure in the statement of comprehensive income.

	30 June 2015 US\$	30 June 2014 US\$
Analysis of tax charge in respect of the profit for the period		
Current income tax charge	4 965 204	3 941 735
Deferred income tax	(4 076 512)	(1 861 407)
Income tax expense	888 692	2 080 328
Tax rate reconciliation		
Notional Tax	%	%
Aids levy	25.00	25.00
Permanent differences	0.75	0.75
Temporary differences	(14.97)	(4.14)
Tax credits	-	3.43
	(1.37)	(0.86)
Effective rate	9.41	24.18

	30 June 2015 US\$	30 June 2014 US\$
Earnings		
Basic earnings	8 558 201	6 521 761
Diluted earnings	8 558 201	6 521 761
Headline earnings	8 572 046	6 536 243
Reconciliation of numerators used for basic and diluted earnings per share computation:		
Basic earnings	8 558 201	6 521 761
Effect of potential dilutive transactions	-	-
Diluted earnings	8 558 201	6 521 761

						30 June 2015 US\$	%	31 Dec 2014 US\$	%
10.6	Sectoral Analysis								
	Private					97 996 372	9	62 048 617	6
	Agriculture					320 925 973	31	302 238 990	30
	Mining					11 820 261	1	19 230 510	2
	Manufacturing					73 761 553	7	94 648 682	9
	Distribution					236 663 494	23	233 317 898	23
	Construction					3 882 667	0	3 363 433	0
	Transport					10 662 328	1	18 605 789	2
	Communication					6 967 457	1	6 927 291	1
	Services					249 095 317	24	260 555 773	25
	Financial organisations					26 800 880	3	21 679 911	2
						1 038 576 302	100	1 022 616 894	100
11.	OTHER ASSETS								
	Intercompany balances					44 847 016		28 634 789	
	Land inventory					67 653 498		66 434 423	
	Prepayments					2 443 950		1 277 333	
	Receivables					9 205 406		10 950 808	
						124 149 870		107 297 353	
12.	INVESTMENTS IN OTHER FINANCIAL ASSETS								
	Investments in equity instruments					452 206		452 206	
	Investments in other instruments					-		7 629 967	
						452 206		8 082 173	
	At cost					452 206		452 206	
	At amortised cost					-		7 629 967	
						452 206		8 082 173	
	Portfolio analysis								
	Available-for-sale					452 206		452 206	
	Loans and receivables					-		7 629 967	
						452 206		8 082 173	
13.	PROPERTY AND EQUIPMENT								
		Land US\$	Buildings US\$	Leasehold improvements US\$	Motor vehicles US\$	Computers and equipment US\$	Work in progress US\$	Total 30 June 2015 US\$	Total 31 Dec 2014 US\$
COST									
Opening balance	3 774 000	29 424 550	602 917	3 802 151	21 932 642	1 130 434	60 666 694	56 691 473	
Additions	-	31 572	-	679 657	1 323 121	564 825	2 599 175	5 097 747	
Revaluation reserve	-	-	-	-	-	-	-	-	568 626
Impairment	-	-	-	-	-	-	-	-	(455 964)
Disposals	-	-	-	(32 665)	(249 190)	(73 111)	(354 966)	(890 406)	
Transfers to non PPE assets	-	-	-	-	-	(21 436)	(21 436)	(344 782)	
Transfers	-	17 875	-	-	5 753	(23 628)	-	-	-
Closing balance	3 774 000	29 473 997	602 917	4 449 143	23 012 326	1 577 084	62 889 467	60 666 694	
ACCUMULATED DEPRECIATION									
Opening balance	-	-	230 913	2 071 393	9 455 113	-	11 757 419	8 781 371	
Charge for the year	-	796 224	29 146	259 231	1 514 697	-	2 599 298	4 895 294	
Disposals	-	-	-	(29 408)	(219 724)	-	(249 132)	(430 591)	
Revaluation	-	-	-	-	-	-	-	-	(1 488 655)
Closing balance	-	796 224	260 059	2 301 216	10 750 086	-	14 107 585	11 757 419	
Net book value	3 774 000	28 677 773	342 858	2 147 927	12 262 240	1 577 084	48 781 882	48 909 275	
31 December 2014 Net book value	3 774 000	29 424 550	372 004	1 730 758	12 477 529	1 130 434	48 909 275		
Properties were revalued 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 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">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 transaction were not exactly comparable in terms of size, quality and location to the properties owned by the Bank;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; andThe values per square metre of lettable space for both the subject properties and comparables were analysed.									
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">Surveys and data collection on similar past transactions;Analysis of the collected data; andComparison of the analysis with the subject properties and then carrying out the valuation of the subject properties.									
Adjustments were made to the following aspects:									
<ul style="list-style-type: none">Age of property - state of repair and maintenanceAesthetic quality - quality of fixtures and fittingsStructural condition - locationAccommodation offered - size of land									
The maximum useful lives of property and equipment are as follows:									
<ul style="list-style-type: none">Buildings40 yearsMotor vehicles3-5 yearsLeasehold improvements10 yearsComputer equipment5 yearsFurniture and fittings10 years									
The carrying amount of buildings would have been US\$20 569 929 (December 2014: US\$21 603 110) had they been carried at cost. Property and equipment were tested for impairment through comparisons with open market values determined by an independent valuer.									
14.	INVESTMENT PROPERTIES					30 June 2015 US\$		31 Dec 2014 US\$	
	Opening balance					5 268 800		2 718 600	
	Fair value adjustment					-		(107 678)	
	Additions					-		2 657 878	
	Closing balance					5 268 800		5 268 800	
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\$3 060 with direct operating expenses amounting to US\$7 624. Direct operating expenses (including repairs and maintenance) arising from investment properties that did not generate rental income during the period was US\$12 360.									
15	INTANGIBLE ASSETS					30 June 2015 US\$		31 Dec 2014 US\$	
	At cost					2 144 556		2 072 923	
	Accumulated amortisation and impairment					(1 769 044)		(1 710 586)	
						375 512		362 337	
	Movement in intangible assets								
	Opening balance					362 337		777 176	
	Additions					50 198		58 734	
	Transfers from property and equipment					21 436		120 750	
	Amortisation charge					(58 459)		(594 323)	
	Closing balance					375 512		362 337	

Unaudited Financial Results

for the half year ended 30 June 2015



16 DEFERRED TAXATION

Deferred tax related to items charged or credited to statement of comprehensive income during the period is as follows:

	30 June 2015 US\$	31 Dec 2014 US\$
Revaluation of property and equipment	-	(486 757)
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)
Prepayments	(293 668)	161 656
Impairment and provisions	1 117 550	3 690 712
Property and equipment	(518 216)	988 747
Tax claimable impairments	3 637 737	(4 908 545)
Other	133 109	1 407 061
Add:	4 076 512	1 301 515
Opening balance	14 069 925	13 255 167
Closing deferred tax balance	18 146 437	14 069 925

17. DEPOSITS

Call deposits	29 981 488	23 671 484
Savings and other deposits	596 159 041	585 874 549
Money market deposits	847 555 352	532 377 171
Lines of credit	166 620 535	228 430 191
Accrued interest	21 098 166	12 643 140
1 661 414 582	1 382 996 535	
Deposits by source		
Money market	894 634 303	565 320 698
Customers	597 676 685	587 400 245
Lines of credit	169 103 594	230 275 592
1 661 414 582	1 382 996 535	
Deposits by type		
Retail	103 169 299	87 644 553
Corporate	494 507 386	499 755 692
Money market	894 634 303	565 320 698
Lines of credit	169 103 594	230 275 592
1 661 414 582	1 382 996 535	

Lines of credit relate to borrowings from a foreign bank or financial institution. These have an average tenure of 1.2 years with an average interest rate of 6.5 % and are secured by a variety of instruments which include liens over bank accounts, guarantees, treasury bills and sub borrower securities.

Sectoral analysis

	30 June 2015 US\$	%	31 Dec 2014 US\$	%
Private	73 329 853	5	67 035 576	5
Agriculture	51 035 935	3	35 739 298	3
Mining	15 411 149	1	10 792 075	1
Manufacturing	188 977 153	11	77 836 630	6
Distribution	320 541 162	19	134 580 007	10
Construction	36 103 434	2	25 282 409	2
Transport	24 684 104	2	17 285 714	1
Communication	30 726 013	2	31 304 254	2
Services	409 772 228	25	422 807 044	30
Financial organisations	470 857 325	28	529 754 776	38
Investment organisations	39 976 226	2	30 578 752	2
1 661 414 582	100		1 382 996 535	100
Maturity analysis				
Less than one month	716 001 035		580 139 174	
Between 1 and 3 months	161 273 528		100 956 440	
Between 3 months to 6 months	127 683 091		57 288 556	
Between 6 months and 1 year	389 009 018		308 717 280	
Between 1 year and 5 years	160 037 430		317 215 538	
More than 5 years	107 410 480		18 679 547	
1 661 414 582	1 382 996 535			

Maturity analysis is based on the remaining period from 30 June 2015 to contractual maturity.

18. OTHER LIABILITIES

	30 June 2015 US\$	31 Dec 2014 US\$
Revenue received in advance	336 069	3 126 047
Sundry creditors	7 068 396	5 404 974
Other suspense accounts	3 053 271	969 035
Total other liabilities	10 457 736	9 500 056

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	16 721 711	11 198 956
Transfer from non distributable reserve	-	5 522 755
Closing balance	16 721 711	16 721 711
19.2 Non-distributable reserve		
Opening balance	-	5 522 755
Transfer to share premium	-	(5 522 755)
Closing balance	-	-
19.3 Revaluation reserve		
Opening balance	11 005 355	9 434 831
Revaluation adjustments made during the period	-	1 570 524
Closing balance	11 005 355	11 005 355
19.4 Revenue reserves		
Opening balance	93 071 540	81 487 952
Profit for the period	8 558 201	16 255 588
Dividend paid	-	(4 672 000)
Closing balance	101 629 741	93 071 540

20. CATEGORIES OF FINANCIAL INSTRUMENTS

30 June 2015

	At fair value through profit or loss US\$	Available for sale US\$	Loans and receivables US\$	Financial liabilities at amortised cost US\$	Total carrying amount US\$
Financial assets					
Balances with banks and cash	-	-	103 621 401	-	103 621 401
Money market assets	-	-	532 439 508	-	532 439 508
Advances	-	-	973 113 977	-	973 113 977
Investments in other financial assets	-	452 206	-	-	452 206
Other assets	-	-	56 496 372	-	56 496 372
Total	-	452 206	1 665 671 258	-	1 666 123 464
Financial liabilities					
Deposits	-	-	-	1 661 414 582	1 661 414 582
Other liabilities	-	-	-	10 457 736	10 457 736
Total	-	-	-	1 671 872 318	1 671 872 318

31 December 2014

	At fair value through profit or loss US\$	Available for sale US\$	Loans and receivables US\$	Financial 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	-	452 206	1 381 143 292	-	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

21. 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:

Loans and advances to other related parties

	Gross limits US\$	Utilised limits US\$	Value of security US\$	Percentage of capital
30 June 2015				
Loans to entities related to directors	3 935 000	3 316 115	4 439 812	2.47%
31 December 2014				
Loans to entities related to directors	3 935 000	3 758 936	3 853 812	2.99%

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.

	30 June 2015 US\$	31 Dec 2014 US\$
Interest income earned on loans and advances to directors and other related parties	459 439	614 243
Commission and fee income	32 268	10 278
	491 707	624 521
(b) Deposits from directors and key management personnel		
Closing balance	33 432	94 238
Interest expense on deposits from directors and key management personnel	82	191
(c) Balances with group companies		
Amounts due from group companies	81 911 832	101 970 702
Amounts due to group companies	14 728 928	10 691 490
Interest income on amounts due from group companies	3 456 207	6 783 594
Interest expense on amounts due to group companies	448 203	313 771
Non interest income from group companies	503 079	560 144
Operating expenditure from group companies	18 000	36 000

22. RISK MANAGEMENT

22.1 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.

22.2 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 remains 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 the quality of compliance with policies, processes and governance structures.

22.3 Credit risk

22.3.1 Credit risk exposure

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

	30 June 2015 US\$	31 Dec 2014 US\$
Balances with banks	70 934 733	37 797 519
Money market assets	532 439 508	302 674 385
Advances	973 113 977	960 874 733
Other assets	56 496 372	40 571 149
Total	1 632 984 590	1 341 917 786
Contingent liabilities	144 899 990	145 184 766
Commitments	2 320 000	404 336
	147 219 990	145 589 102

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\$70 934 733 (excluding notes and coins) as at 30 June 2015, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank, local and foreign banks.

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

	30 June 2015 US\$	31 Dec 2014 US\$
1 to 3 months	318 639 298	365 897 428

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

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

	30 June 2015 US\$	31 Dec 2014 US\$
3 to 6 months	60 918 156	68 185 848
6 months and above	20 193 006	15 993 319
Total	81 111 162	84 179 167

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

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

	30 June 2015 US\$	30 June 2015 US\$	31 Dec 2014 US\$	31 Dec 2014 US\$
	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)	Gross maximum exposure	Net maximum exposure (not covered by mortgage security)
Private	97 996 372	26 940 138	62 048 617	23 810 311
Agriculture	320 925 973	120 563 031	302 238 990	107 343 537
Mining	11 820 261	11 417 387	19 230 510	3 268 421
Manufacturing	73 761 553	59 693 283	94 648 682	52 818 285
Distribution	236 663 494	110 102 338	233 317 898	100 914 683
Construction	3 882 667	1 451 516	3 363 433	2 637 273
Transport	10 662 328	7 878 829	18 605 789	16 707 418
Communication	6 967 457	4 674 231	6 927 291	4 594 723
Services	249 095 317	19 775 749	260 555 773	17 498 135
Financial organisations	26 800 880	-	21 679 911	-
Total	1 038 576 302	362 496 502	1 022 616 894	329 592 786

	30 June 2015 US\$	31 Dec 2014 US\$
Cash cover	197 765 264	138 850 988
Mortgage bonds	676 079 800	693 024 108
Other forms of security including Notarial General Covering Bonds (NGCBs), cessions, etc.	847 629 602	754 069 932
	1 721 474 666	1 585 945 028

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:

	30 June 2015 US\$	31 Dec 2014 US\$
Against doubtful* and loss* grades		
Property	8 669 450	3 572 055
Other	14 325 112	13 963 852
Against substandard* grade		
Property	16 814 672	21 687 380
Other	62 572 906	48 297 546
Against special mention* grade		
Property	140 876 766	180 948 681
Other	245 160 372	224 489 903
Against normal* grade		
Property	509 718 912	486 815 992
Other	723 336 476	606 169 619
	1 721 474 666	1 585 945 028

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

22.3.5 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\$
30 June 2015					
Loans and advances to customers					
Agriculture	122 292 397	185 529 509	9 880 437	3 223 630	320 925 973
Manufacturing	57 865 105	14 554 191	1 342 257	-	73 761 553
Commercial	202 326 833	31 789 397	11 655 325	3 323 762	249 095 317
Individual and households	74 386 129	18 985 506	4 272 705	352 032	97 996 372
Mining	6 243 017	5 190 458	386 786	-	11 820 261
Distribution	136 408 071	60 771 910	29 922 865	9 560 648	236 663 494
Construction	2 848 962	904 421	-	129 284	3 882 667
Transport	8 227 746	766 738	1 071 834	596 010	10 662 328
Communication	6 967 457	-	-	-	6 967 457
Financial services	21 260 125	147 168	2 385 947	3 007 640	26 800 880
	638 825 842	318 639 298	60 918 156	20 193 006	1 038 576 302

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\$144.9 million (December 2014: US\$145.2 million).

	Normal grade US\$	*Special mention grade US\$	*Sub-Standard grade US\$	*Doubtful and Loss grade US\$	Total US\$
31 December 2014					
Loans and advances to customers					
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
	572 540 299	365 897 428	68 185 848	15 993 319	1 022 616 894

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

22.4 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 profile. The Bank tries to ensure through the Assets and Liabilities Committee (ALCO) 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\$
30 June 2015							
Balances with banks and cash	103 621 401	-	-	-	-	-	103 621 401
Money market assets	15 076 169	166 430 278	4 047 123	3 731 631	176 850 570	166 303 737	532 439 508
Advances	556 171 890	6 314 761	105 860 163	89 554 356	110 495 786	104 717 021	973 113 977
Other .assets	-	44 847 016	-	-	-	-	44 847 016
Financial guarantees	1 117 656	881 419	5 940 992	122 179 923	3 100 000	11 680 000	144 899 990
Total assets	675 987 116	218 473 474	115 848 278	215 465 910	290 446 356	282 700 758	1 798 921 892
Liabilities							
Deposits	716 001 035	161 273 528	127 683 091	389 009 018	160 037 430	107 410 480	1 661 414 582
Other liabilities	-	10 457 736	-	-	-	-	10 457 736
Current tax payable	-	2 288	-	-	-	-	2 288
Financial guarantees	1 117 656	881 419	5 940 992	122 179 923	3 100 000	11 680 000	144 899 990
Total liabilities	717 118 691	172 614 971	133 624 083	511 188 941	163 137 430	119 090 480	1 816 774 596
Liquidity gap	(41 131 575)	45 858 503	(17 775 805)	(295 723 031)	127 308 926	163 610 278	(17 852 704)
Cumulative liquidity gap	(41 131 575)	4 726 928	(13 048 877)	(308 771 908)	(181 462 982)	(17 852 704)	(17 852 704)

	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\$
31 December 2014							
Balances with banks 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	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
Total assets	610 803 388	222 998 643	25 121 377	205 714 629	407 811 221	55 360 138	1 527 809 396
Liabilities							
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
Total liabilities	581 541 174	112 460 384	62 689 556	310 315 158	440 315 538	30 359 547	1 537 681 357
Liquidity gap	29 262 214	110 538 259	(37 568 179)	(104 600 529)	(32 504 317)	25 000 591	(9 871 961)
Cumulative liquidity gap	29 262 214	139 800 473	102 232 294	(2 368 235)	(34 872 552)	(9 871 961)	(9 871 961)

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 2014	35.20
At 30 June 2015	47.69
Average for the period	35.77
Maximum for the period	47.69
Minimum for the period	30.17

22.5 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 and various interest rate risk hedging strategies. The use of stress testing is an integral part of the interest rate risk management framework and considers both the historical market events as well as anticipated future scenarios. The 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:

22.5.1 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\$
30 June 2015								
Balances with banks and cash	103 621 401	-	-	-	-	-	-	103 621 401
Money market assets	15 076 169	166 430 278	4 047 123	3 731 631	176 850 570	166 303 737	-	532 439 508
Advances	556 171 890	6 314 761	105 860 163	89 554 356	110 495 786	104 717 021	-	973 113 977
Other assets	-	44 699 887	-	-	-	-	79 449 983	124 149 870
Investments- other financial assets	-	-	-	-	-	-	452 206	452 206
Investment property	-	-	-	-	-	-	5 268 800	5 268 800
Property and equipment	-	-	-	-	-	-	48 781 882	48 781 882
Intangible assets	-	-	-	-	-	-	375 512	375 512
Deferred tax	-	-	-	-	-	-	18 146 437	18 146 437
Total assets	674 869 460	217 444 926	109 907 286	93 285 987	287 346 356	271 020 758	152 474 820	1 806 349 593
Equity and liabilities								
Deposits	716 001 035	161 273 528	127 683 091	389 009 018	160 037 430	107 410 480	-	1 661 414 582
Other liabilities	-	-	-	-	-	-	10 457 736	10 457 736
Current tax payable	-	-	-	-	-	-	2 288	2 288
Equity and reserves	-	-	-	-	-	-	134 474 987	134 474 987
Total liabilities, equity and reserves	716 001 035	161 273 528	127 683 091	389 009 018	160 037 430	107 410 480	144 935 011	1 806 349 593
Interest rate repricing gap	(41 131 575)	56 171 398	(17 775 805)	(295 723 031)	127 308 926	163 610 278	7 539 809	-
Cumulative gap	(41 131 575)	15 039 823	(2 735 982)	(298 459 013)	(171 150 087)	(7 539 809)	-	-

31 December 2014	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\$
Balances with banks 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	362 337
Deferred tax	-	-	-	-	-	-	14 069 925	14 069 925
Current tax receivable	-	-	-	-	-	-	1 481 338	1 481 338
Total assets	609 261 065	179 082 591	19 720 377	204 116 751	284 711 221	43 680 138	177 841 234	1 518 413 377

Unaudited Financial Results

for the half year ended 30 June 2015



22.6 Foreign exchange risk

At 30 June 2015, 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\$53 490 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 30 June 2015 is as below:

FOREIGN CURRENCY POSITION

Foreign currency position as at 30 June 2015

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
Balances with banks and cash	103 621 401	97 303 446	3 782 866	747 371	1 787 718
Money market assets	532 439 508	532 439 508	-	-	-
Advances	973 113 977	955 899 832	18 047	163	17 195 935
Other assets	124 149 870	123 561 247	193 869	294 525	100 229
Investments in other financial assets	452 206	308 563	-	-	143 643
Investment properties	5 268 800	5 268 800	-	-	-
Property and equipment	48 781 882	48 698 548	7 225	-	76 109
Deferred taxation	18 146 437	18 146 437	-	-	-
Intangible assets	375 512	375 512	-	-	-
Current tax receivable	-	-	-	-	-
Total assets	1 806 349 593	1 782 001 893	4 002 007	1 042 059	19 303 634
Equity and liabilities					
Deposits	1 661 414 582	1 636 014 412	8 690 647	380 663	16 328 860
Other liabilities	10 457 736	10 440 158	2 673	14 475	432
Current tax payable	2 288	2 288	-	-	-
Equity and reserves	134 474 987	134 474 985	-	-	-
Total equity and liabilities	1 806 349 593	1 780 931 843	8 693 320	395 138	16 329 292

Foreign currency position as at 31 December 2014

Position expressed in US\$	Total	USD	ZAR	GBP	Other foreign currencies
Assets					
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	-	-	-
Total assets	1 518 413 377	1 507 108 298	9 135 732	712 001	1 457 346
Equity and liabilities					
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	-	-	-
Total equity and liabilities	1 518 413 377	1 504 732 672	12 517 733	444 777	718 195

Foreign currency position as at 30 June 2015

Underlying currency

	ZAR	GBP	Other foreign currencies in US\$
Assets			
Balances with banks and cash	46 321 188	475 306	1 787 718
Advances	220 987	104	17 195 935
Other assets	2 373 928	187 309	100 229
Investments in other financial assets	-	-	143 643
Property and equipment	88 471	-	76 109
TOTAL ASSETS	49 004 574	662 719	19 303 634
Liabilities			
Deposits	106 416 967	242 090	16 328 860
Other liabilities	32 735	9 206	432
TOTAL LIABILITIES	106 449 702	251 296	16 329 292
Net position	(57 445 128)	411 423	2 974 342

Foreign currency position as at 31 December 2014

Underlying currency

	ZAR	GBP	Other foreign currencies in US\$
Assets			
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
TOTAL ASSETS	105 789 946	457 584	1 457 346
Liabilities			
Deposits	144 909 643	278 956	717 055
Other liabilities	43 205	6 890	1 140
TOTAL LIABILITIES	144 952 848	285 846	718 195
Net position	(39 162 902)	171 738	739 151

22.7 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.

22.7.1 Operational risk management framework

CBZ Group 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. CBZ Group 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 Group Enterprise Wide Governance and Compliance perform their independent reviews and assurances under processes and procedures as set under policies and procedure manuals. On the other hand, the Group Risk Management and Group IT Departments with assistance from the Organization and Methods Department within Group Human Resources ensure that processes, procedures and control systems are in line with variables in the operating environment.

22.8 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.

22.9 Regulatory risk

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

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

22.10 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 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.

22.11 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.

22.12 Risk and Credit Ratings

22.12.1 External Credit Rating

Rating Agent	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Global Credit Rating Co. (Short Term)	A1	A1	A1	-	-	-	-	-	-	A1	A1
Global Credit Rating Co. (Long Term)	A	A+	A+	A+	A+	A	A	A	A+	A+	A

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

22.12.2 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

23. 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.

23.1. Capital Adequacy

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

	30 June 2015 US\$	31 Dec 2014 US\$
Risk weighted assets	960 863 894	955 358 437
Total qualifying capital	143 169 669	134 099 830
Tier 1		
Share capital	5 118 180	5 118 180
Share premium	16 721 711	16 721 711
Revenue reserves	101 629 739	93 071 540
Exposures to insiders	(3 316 115)	(3 758 936)
Total core capital	120 153 515	111 152 495
Less transfer to Tier 3	(18 732 859)	(18 638 685)
	101 420 656	92 513 810
Tier 2		
Revaluation reserve	11 005 355	11 005 355
General provisions	12 010 799	11 941 980
	23 016 154	22 947 335
Tier 3		
Capital allocated for market risk	378 446	284 272
Capital allocated to operations risk	18 354 413	18 354 413
	18 732 859	18 638 685
Capital adequacy	14.90%	14.04%
-Tier 1	10.55%	9.68%
-Tier 2	2.40%	2.41%
-Tier 3	1.95%	1.95%

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.

24. 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.

25. 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 endeavours 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 analysts' opinions or conclusions and does not express comfort with analysts' models and earnings estimates.

STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 30 June 2015

	Notes	30 June 2015 US\$	30 June 2014 US\$
Gross premium income		7 513 560	4 511 911
Reinsurance		(443 572)	(125 905)
Net written premium		7 069 988	4 386 006
Net commission	10.2	(917 519)	(668 615)
Net claims	10.3.1	(1 150 214)	(1 179 493)
Technical profit		5 002 255	2 537 898
Operating expenditure	3	(1 641 064)	(1 244 612)
Underwriting profit		3 361 191	1 293 286
Other income	2	537 188	410 159
Transfer to life fund		(1 163 999)	(684 659)
Profit before taxation		2 734 380	1 018 786
Taxation	4	(13 120)	(6 559)
Profit for the year after tax		2 721 260	1 012 227
Other comprehensive income		-	-
Total comprehensive income		2 721 260	1 012 227

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Notes	30 June 2015 US\$	31 Dec 2014 US\$
ASSETS			
Balances with banks and cash	5	2 483 379	308 415
Money market assets	6.1	11 784 558	10 075 700
Insurance receivables	7	787 590	214 082
Other receivables		29 363	32 716
Current tax		37	1 009
Intangible assets	8	557 807	488 672
Property and equipment	9	310 592	315 212
TOTAL ASSETS		15 953 326	11 435 806
LIABILITIES			
Life fund	10.4	3 668 459	2 311 493
Other liabilities	11	1 039 006	599 712
TOTAL LIABILITIES		4 707 465	2 911 205
EQUITY AND RESERVES			
Share capital	12.2	2	2
Share premium		1 388 012	1 388 012
Revenue reserves		9 857 847	7 136 587
TOTAL EQUITY AND RESERVES		11 245 861	8 524 601
TOTAL LIABILITIES, EQUITY AND RESERVES		15 953 326	11 435 806

STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2015

	Share capital US\$	Share premium US\$	Revenue reserves US\$	Total US\$
30 June 2014				
Balance at the beginning of the period	2	1 388 012	4 579 995	5 968 009
Total comprehensive income	-	-	1 012 227	1 012 227
Balance at 30 June 2014	2	1 388 012	5 592 222	6 980 236
30 June 2015				
Balance at the beginning of the period	2	1 388 012	7 136 587	8 524 601
Total comprehensive income	-	-	2 721 260	2 721 260
Balance at 30 June 2015	2	1 388 012	9 857 847	11 245 861

STATEMENT OF CASH FLOWS
for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2 734 380	1 018 786
Non cash items:		
Depreciation	42 966	36 500
Amortisation	70 274	728
Transfer to life fund	1 163 998	684 659
Interest on Guaranteed Education Plan	47 045	-
Guaranteed Education Plan Provision	145 923	-
Operating cash flows before changes in operating assets and liabilities	4 204 586	1 740 673
Changes in operating assets and liabilities		
Insurance assets	(573 508)	34 707
Other receivables	3 353	3 977
Other liabilities	439 294	(241 860)
Money market assets	(1 708 858)	(1 405 893)
	(1 839 719)	(1 609 069)
Corporate tax paid	(12 148)	(12 181)
Net cash inflow from operating activities	2 352 719	119 423
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(38 346)	(61 048)
Purchase of intangible assets	(139 409)	(102 112)
Net cash outflow from investing activities	(177 755)	(163 160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash inflow from financing activities	-	-
NET INCREASE/(DECREASE) IN BALANCES WITH BANKS AND CASH	2 174 964	(43 737)
Balances with banks and cash at the beginning of the period	308 415	516 270
Balances with banks and cash at end of the period	2 483 379	472 533

NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 30 June 2015

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

Directors' remuneration (included in staff costs)

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

4. TAXATION

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

4.1 TAX RATE RECONCILIATION

Notional tax
Aids levy
Permanent differences
Effective tax rate

5. BALANCES WITH BANKS AND CASH

Cash at bank

6. INVESTMENTS

6.1 Money market assets portfolio analysis:

Loans and receivables

6.2 Maturity analysis

Less than 1 month
Between 1 months and 3 months
Between 3 months and 6 months
Between 6 months and 1 year

7. INSURANCE RECEIVABLES

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

8. INTANGIBLE ASSETS

Computer Software

Cost

Opening balance
Additions
Closing balance

Amortisation

Opening balance
Charge for the year
Closing balance
Carrying amount at end of the period

9. PROPERTY AND EQUIPMENT

	Motor vehicles US\$	Computers, furniture and other equipment US\$	30 June 2015 US\$	31 Dec 2014 US\$
Cost				
Balance at 1 January 2015	80 999	387 055	468 054	380 125
Additions	34 500	3 846	38 346	87 970
Balance at 30 June 2015	115 499	390 901	506 400	468 054

Accumulated depreciation

Balance at 1 January 2015
Charge for the period
Closing balance
Net Book Value

52 483	100 359	152 842	75 519
8 678	34 288	42 966	77 323
61 161	134 647	195 808	152 842
54 338	256 254	310 592	315 212

10. INSURANCE CONTRACT PROVISIONS

10.1 Provision for unearned premium

Unearned at 1 January 2015
Written premiums
Earned during the period

	Gross US\$	Reinsurance US\$	Net US\$
	782 279	(9 217)	773 062
	7 513 560	(443 572)	7 069 988
	(6 426 503)	375 020	(6 051 483)
	1 869 336	77 769	1 791 567

10.2 Commissions

Commission paid
Commission received
Deferred acquisition costs
Net commission

30 June 2015 US\$	30 June 2014 US\$
1 147 205	788 327
(100 646)	(6 093)
(129 040)	(113 619)
(917 519)	(668 615)

10.3 Claims

10.3.1 Gross claims

Reinsurance

Net claims

1 150 214	1 204 787
-	(25 294)
1 150 214	1 179 493

10.3.2 Provision for IBNR claims

IBNR claims provision at 1 January 2015
Movement for the year
IBNR provision at end of the period

30 June 2015 US\$	31 Dec 2014 US\$
625 658	424 804
145 494	200 854
771 152	625 658

10.4 Life fund

Gross unearned premium reserve
Provision for incurred but not reported claims
Guaranteed Education Plan Provision
Closing balance

1 791 567	773 062
772 778	625 658
1 104 114	912 773
3 668 459	2 311 493

11. OTHER LIABILITIES

Inter-company
Other payables

1 870	-
1 037 136	599 712
1 039 006	599 712

12. SHARE CAPITAL

12.1 Authorised share capital

20 000 ordinary shares of US\$1

	30 June 2015 US\$	30 June 2014 US\$
20 000	20 000	

12.2 Issued share capital

2 ordinary shares of US\$1 each

	30 June 2015 US\$	30 June 2014 US\$
2	2	

Unaudited Financial Results
for the half year ended 30 June 2015

STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
Gross premium income	6 180 418	4 954 746
Reinsurance	(3 448 594)	(2 882 992)
Net written premium	2 731 824	2 071 754
Unearned premium	(355 322)	(591 816)
Net earned premium	2 376 502	1 479 938
Net commission	(37 762)	(11 260)
Net claims	(676 606)	(659 952)
Technical result	1 662 134	808 726
Operating expenditure	(730 975)	(734 194)
Underwriting profit	931 159	74 532
Other income	158 014	74 717
Impairment allowance	(246 984)	(104 948)
Profit before taxation	842 189	44 301
Taxation	(195 672)	15 729
Profit for the period after tax	646 517	60 030
Other comprehensive income	-	-
Total comprehensive income	646 517	60 030

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	30 June 2015 US\$	31 Dec 2014 US\$
ASSETS		
Non- current assets		
Property and equipment	169 224	192 561
Intangible assets	61 191	66 743
Investment properties	153 000	153 000
Listed investments	222 036	248 181
Deferred taxation	103 259	230 040
Total non-current assets	708 710	890 525
Technical assets		
Reinsurance unearned premium reserve	2 351 215	1 250 495
Deferred acquisition costs	546 955	350 539
Reinsurance outstanding claims	136 376	350 731
Reinsurance receivables	715 442	513 029
Insurance receivables	2 107 347	1 473 121
Total technical assets	5 857 335	3 937 915
Current assets		
Inventory	2 580	2 812
Other receivables	58 285	24 828
Money market assets	4 339 764	2 697 531
Balances with banks and cash	106 275	240 397
Total current assets	4 506 904	2 965 568
TOTAL ASSETS	11 072 949	7 794 008
EQUITY AND RESERVES		
Share capital	76 593	50 500
Share premium	1 430 014	589 807
Revenue reserves	2 133 458	1 486 941
Total equity and reserves	3 640 065	2 127 248
LIABILITIES		
Non-current liabilities		
Deferred taxation	26 593	33 436
Total non-current liabilities	26 593	33 436
Technical liabilities		
Gross unearned premium reserve	4 538 419	3 082 376
Gross outstanding claims	393 884	832 935
Unearned commission reserve	532 698	290 824
Incurred but not reported claims	136 583	233 417
Reinsurance payables	1 439 078	695 165
Total technical liabilities	7 040 662	5 134 717
Current liabilities		
Other payables	320 624	333 460
Taxation	45 005	165 147
Total current liabilities	365 629	498 607
TOTAL LIABILITIES	7 432 884	5 666 760
TOTAL LIABILITIES, EQUITY AND RESERVES	11 072 949	7 794 008

STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2015

	Share capital US\$	Share premium US\$	Revenue reserves US\$	Total US\$
30 June 2014				
Balance at the beginning of the period	50 500	589 807	972 344	1 612 651
Total comprehensive income	-	-	60 030	60 030
Balance at 30 June 2014	50 500	589 807	1 032 374	1 672 681
30 June 2015				
Balance at the beginning of the period	50 500	589 807	1 486 941	2 127 248
Rights issue	26 093	840 207	-	866 300
Total comprehensive income	-	-	646 517	646 517
Balance at 30 June 2015	76 593	1 430 014	2 133 458	3 640 065

STATEMENT OF CASH FLOWS
for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	842 189	44 301
Non cash items:		
Depreciation	25 922	30 054
Amortisation	5 552	46 832
Fair value adjustment	26 145	13 277
Deferred commission movement	45 457	11 260
Unearned premium	355 322	591 816
Claims incurred but not yet reported	(96 834)	(76 585)
Impairment allowance	246 984	(18 477)
Premium receivables written off	-	123 425
Operating cash flows before changes in operating assets and liabilities	1 450 737	765 903
Changes in operating assets and liabilities		
Decrease in inventory	232	1 119
Increase in receivables	(902 724)	(1 840 798)
Increase in money market investments	(1 642 233)	(643 928)
Increase in payables	292 027	1 722 587
	(2 252 698)	(761 020)
Corporate tax paid	(195 876)	(72 197)
Net cash inflow from operating activities	(997 837)	(67 314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2 585)	(18 506)
Purchase of intangible assets	-	-
Net cash outflow from investing activities	(2 585)	(18 506)
CASH FLOW FROM FINANCING ACTIVITIES		
Rights issue proceeds	866 300	-
Net cashflow from financing activities	866 300	-
NET DECREASE IN BALANCES WITH BANKS AND CASH	(134 122)	(85 820)
Balances with banks and cash at the beginning of the period	240 397	250 886
Balances with banks and cash at end of the period	106 275	165 066

Unaudited Financial Results
for the half year ended 30 June 2015

STATEMENT OF COMPREHENSIVE INCOME
for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
Revenue	1 049 079	1 003 634
Operating expenditure	(1 001 962)	(891 213)
Profit before taxation	47 117	112 421
Taxation	(13 026)	(28 712)
Profit for the period after taxation	34 091	83 709
Other comprehensive income	-	-
Total comprehensive income	34 091	83 709

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	30 June 2015 US\$	31 Dec 2014 US\$
ASSETS		
Balances with banks and cash	147 684	146 324
Money market assets	1 692 727	1 648 620
Loans and advances	12 907	16 695
Other assets	718 658	591 761
Investment securities	9	15
Investment property	105 000	105 000
Equipment	216 273	241 484
Intangible assets	27 376	84 022
Current taxation	5 153	8 044
TOTAL ASSETS	2 925 787	2 841 965
LIABILITIES		
Other liabilities	150 611	148 155
Provisions	318 808	266 092
Deferred taxation	16 324	21 765
TOTAL LIABILITIES	485 743	436 012
EQUITY AND RESERVES		
Share capital	63 005	63 005
Share premium	1 924 944	1 924 944
Revenue reserves	452 095	418 004
TOTAL EQUITY AND RESERVES	2 440 044	2 405 953
TOTAL LIABILITIES, EQUITY AND RESERVES	2 925 787	2 841 965

STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2015

	Share capital US\$	Share premium US\$	Revenue reserves US\$	Total US\$
30 June 2014				
Balance at 1 January	63 005	1 924 944	75 395	2 063 344
Total comprehensive income	-	-	83 709	83 709
Balance at 30 June 2014	63 005	1 924 944	159 104	2 147 053
30 June 2015				
Balance at 1 January	63 005	1 924 944	418 004	2 405 953
Total comprehensive income	-	-	34 091	34 091
Balance at 30 June 2015	63 005	1 924 944	452 095	2 440 044

STATEMENT OF CASH FLOWS
for the half year ended 30 June 2015

	30 June 2015 US\$	30 June 2014 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47 117	112 421
Non cash items:		
Depreciation and amortisation	90 655	93 715
Fair value adjustment	6	1
Profit on sale of property and equipment	(3 488)	(1 701)
Operating cash flows before changes in operating assets and liabilities	134 290	204 436
Changes in operating assets and liabilities		
Loans and advances	3 788	5 580
Money market assets	(44 107)	(217 611)
Other assets	(126 897)	9 921
Net change in investment	-	(1)
Other liabilities	2 456	12 898
Provisions	52 715	37 823
	(112 045)	(151 390)
Corporate tax paid	(15 575)	(21 578)
Net cash inflow from operating activities	6 670	31 468
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	6 279	2 051
Purchase of property and equipment	(2 994)	(78 931)
Purchase of intangible assets	(8 595)	-
Net cash outflow from investing activities	(5 310)	(76 880)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE/(DECREASE) IN BALANCES WITH BANKS AND CASH	1 360	(45 412)
Balances with banks and cash at the beginning of the period	146 324	308 225
Balances with banks and cash at the end of the period	147 684	262 813