Audited Financial Results

For the year ended 31 December 2015

CABS

A Member of the OLDMUTUAL Group

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

Dear Shareholder

Environment
This past year, the economy registered an estimated growth of 1.5%, against a regional average of 3.8% and it is projected to grow by 2.7% in 2016. Inflation remained in the negative territory from the fourth quarter of 2014, and closed the year at -2.5%, reflecting the constraining effect of tight liquidity conditions.

Banking sector deposits closed the year at $5.6 billion, whilst loans amounted to $3.9 billion.

Financial Results
The Society recorded a net surplus growth of 18%, to $28 million, up from $24 million realised in 2014. Net interest income increased by 36%, compared to the same period in 2014. Non-interest income increased by 8%, due to the low increase in the number of transactions passing through the Society's various delivery channels.

Operating expenses increased by 6%; comparative growth was limited by cost management initiatives implemented during the year. Consequently, the Society's cost to income ratio decreased from 63% in 2014, to 54% in 2015.

Total assets increased by 22%, from $852 million to $1.04 billion in 2015. This was mainly driven by deposit growth of 27% during the same period. The Society's total loans and advances increased by 27% from $444 million, as at 31 December 2014, to $562 million, as at 31 December 2015.

Liquidity Management
The Society's prudential liquidity ratio was 36.8%, against the minimum regulatory ratio of 30.0%.

Capital Management
The Society remained well capitalised and compliant with the regulatory benchmark.

Human Resources
Industrial relations remained cordial. The Society was able to retain and attract critical staff during the year under review.

Operations
CABS achieved the following milestones during the period under review:
- Total assets surpassed the billion dollar mark;
- The branch refurbishment exercise continued in order to improve ambience and customer experience;
- It was voted the Top Performing Bank in 2015 by The Zimbabwe Independent, in their Banks and Banking Survey for the second year in a row;
- It deployed additional ATMs to make banking more accessible and convenient;
- More point of sale terminals were deployed in order to promote the use of plastic money;
- It also introduced the following products and services during the course of the year:
  - Equity release loans;
  - SMS alert functionality on account activities;
  - Electronic statements now available via email;
  - Enhanced functionality of the core banking system; and
  - Mobile application enhancement.

Corporate Social Responsibility
The Society recognises the need to contribute continuously, to benefit the communities in which it operates. In the period under review, the Society was involved in a number of initiatives in support of education, sports and culture throughout the country.

Corporate Governance
The Board of Directors and Management remain committed to the best practices in corporate governance. The Audit, Risk and Compliance, Management and other Board Committees met regularly throughout the period under review, to assess operations, evaluate risk, and to develop systems and procedures that will further safeguard the Society's assets.

Compliance Issues
The Society was compliant with all laws and regulations governing its activities during the period under review.

Future Prospects
The Society continues to pursue new initiatives to enhance its role in both housing finance and banking. As these initiatives are realised progressively, the Society will continue to remain a positive as well as a progressive force in the country's financial services sector. The Society's future prospects remain bright.

Directorate
Messrs. D L Stephenson, B L Nkomo and J Mushosho retire from the Board, in terms of Article 71 of the Society's Rules, and being eligible, offer themselves for re-election.

Dr L L Tsumba also retires from the Board in terms of Rule 69(g) of the Society's Rules, and offers himself for re-election.

Mr S J Hammond was appointed Managing Director of the Society with effect from 1 May 2015, replacing Mr K Terry who moved to Old Mutual Kenya with effect from 1 January 2015.

Mr M Mpofu joined the Society as Deputy Managing Director with effect from 14 July 2015. Subsequent to year end, Mr M Mukonoweshuro was appointed to the Board, as the Chief Finance Officer, with effect from 26 January 2016.

Mr W Alberts retired from the Board with effect from 8 July 2015.

Allow me to thank Messrs. K Terry and W Alberts for their invaluable contribution to the Society over the years. I welcome Messrs. Hammond, Mpofu and Mukonoweshuro to the Society and wish them a fruitful tenure.

DR L L Tsumba
CHAIRMAN
Central Africa Building Society
Harare
7 March 2016

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 US$m	31 December 2014 US$m
Interest income	3	100.84	80.50
Interest expense	3	(41.87)	(37.28)
Net interest income		58.97	43.22
Impairments	4	(12.33)	(6.07)
		46.64	37.15
Fee and commission income	5	41.06	35.26
Other income	5.2	1.11	3.69
Operating income for the year		88.81	76.10
Operating expenses	6	(54.63)	(51.50)
Fair value adjustment on investment property	13	(2.84)	(0.57)
Impairment on housing project	9.3.1	(2.97)	-
Net surplus for the year		**28.37**	**24.03**
Other comprehensive loss		**(12.91)**	**(1.41)**
(Loss)/Gain on revaluation of owner occupied property	12	(4.81)	0.34
Regulatory impairment allowance	4	(8.10)	(1.75)
Total comprehensive income for the year		**15.46**	**22.62**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	31 December 2015 US$m	31 December 2014 US$m
Assets			
Cash and cash equivalents	7	105.29	85.45
Financial assets at fair value through profit or loss	8	214.30	169.67
Other assets	9	77.36	63.74
Intangible assets	10	11.99	12.72
Loans and advances	11	562.34	443.53
Property and equipment	12	48.68	51.43
Investment property	13	22.98	25.82
Total assets		**1 042.94**	**852.36**
Liabilities			
Deposits	15	829.08	651.47
Credit lines	16	39.26	49.92
Other liabilities	17	16.31	11.25
Provisions	18	5.13	2.90
Total liabilities		**889.78**	**715.54**
Shareholders' Equity			
Ordinary class "A" share capital	19.1	35.00	35.00
Retained earnings	19.2	81.07	68.80
Regulatory provision reserves	19.3	10.53	2.44
Non-distributable reserves	19.4	1.45	1.45
Revaluation reserves	19.5	20.28	25.09
Share based payment reserves	19.6	4.83	4.04
Total shareholders' equity		**153.16**	**136.82**
Total liabilities and equity		**1 042.94**	**852.36**

Dr L L Tsumba
CHAIRMAN

B L Nkomo
NON-EXECUTIVE DIRECTOR

Harare
7 March 2016

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

2015	Share capital US$m	Retained earnings US$m	Regulatory provision reserves US$m	Non-distributable reserves US$m	Revaluation reserves US$m	Share based payment reserves US$m	Total equity US$m
Balance as at 1 January 2015	**35.00**	**68.80**	**2.44**	**1.45**	**25.09**	**4.04**	**136.82**
Net surplus for the year	-	28.37	-	-	-	-	**28.37**
Other comprehensive loss for the year	-	(8.10)	-	-	(4.81)	-	**(12.91)**
Dividends on Ordinary class "A" share capital	-	(8.00)	-	-	-	-	**(8.00)**
Regulatory impairment allowance	-	-	8.10	-	-	-	**8.10**
Write off	-	-	(0.01)	-	-	-	**(0.01)**
Share based payment reserves	-	-	-	-	-	0.79	**0.79**
Balance as at 31 December 2015	**35.00**	**81.07**	**10.53**	**1.45**	**20.28**	**4.83**	**153.16**

2014	Share capital US$m	Retained earnings US$m	Regulatory provision reserves US$m	Non-distributable reserves US$m	Revaluation reserves US$m	Share based payment reserves US$m	Total equity US$m
Balance as at 1 January 2014	**35.00**	**46.52**	**4.95**	**1.45**	**24.75**	**2.86**	**115.53**
Net surplus for the year	-	24.03	-	-	-	-	**24.03**
Other comprehensive (loss)/gain for the year	-	(1.75)	-	-	0.34	-	**(1.41)**
Regulatory impairment allowance	-	-	1.75	-	-	-	**1.75**
Write off	-	-	(4.26)	-	-	-	**(4.26)**
Share based payment reserves	-	-	-	-	-	1.18	**1.18**
Balance as at 31 December 2014	**35.00**	**68.80**	**2.44**	**1.45**	**25.09**	**4.04**	**136.82**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 US$m	31 December 2014 US$m
Cash flows from operating activities			
Net surplus for the year		28.37	24.03
Non-cash items:			
Share based payment provisions	19.6	0.79	1.18
Profit on sale of property and equipment		(0.05)	-
Fair value adjustment on financial instruments		(0.27)	(2.39)
Depreciation and amortisation	6	7.05	5.85
Fair value adjustment on investment property	13	2.84	0.57
Impairment on housing project	9.3.1	2.97	-
Loan loss provisions	4	12.33	6.07
Accruals		2.23	(0.22)
Accrued interest on credit lines		0.57	0.82
Operating cash inflows before working capital changes		**56.83**	**35.91**
Increase in other assets		(16.59)	(43.46)
Increase in loans and advances		(131.14)	(131.55)
Increase in financial assets at fair value through profit and loss		(44.36)	(38.42)
Increase in deposits		177.61	189.89
Increase/(decrease) in other liabilities		5.06	(7.40)
Net cash generated from operating activities		**47.41**	**4.97**
Cash flows from investing activities			
Additions to intangible assets	10	(2.57)	(2.15)
Additions to property and equipment	12	(5.87)	(4.20)
Proceeds from sale of property and equipment		0.11	0.04
Net cash generated/(used) before financing activities		**39.08**	**(1.34)**
Cash flows from financing activities			
Final dividend paid	19.2	(8.00)	-
Credit lines (paid)/received		(11.24)	24.66
Net cash (paid)/received from financing activities		**(19.24)**	**24.66**
Net increase in cash and cash equivalents		**19.84**	**23.32**
Cash and cash equivalents at the beginning of the year		**85.45**	**62.13**
Cash and cash equivalents at the end of the year	**7**	**105.29**	**85.45**

AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The condensed financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2015 which have been audited by Deloitte & Touche and an unmodified audit opinion issued thereon. The auditor's report is available for inspection at the Society's registered address.

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Society is committed to achieving high standards of corporate governance and continues to work towards compliance with the provisions of the Combined Code on Corporate Governance and best practice pronouncements.

Board of Directors
The Board met six times during the year ended 31 December 2015 (including special meetings, sessions devoted to strategy and business planning). Attendance was as tabled below.

	Main Board	Board Audit Committee	Board Risk and Compliance Committee	Board Credit Committee	Board Loans Review Commitee
Number of meetings held	**6**	**4**	**4**	**4**	**4**
L L Tsumba (Dr)	6				
J Mushosho	5				
R D C Chitengu [1]	6	4			
D E B Long [2]	6		3	4	
B L Nkomo [3]	6	4			
L E M Ngwerume	5		3		4
A E Siyavora	6			4	
D L Stephenson	6	4		4	
B Zamchiya	6		4		4
W Alberts [4]	2				1
K Terry [5]					
S J Hammond [6]	4				
M Mpofu [7]	2				
M Mukonoweshuro [8]					

[1] Appointed to Loans Review Committee: 1 January 2016
[2] Appointed to Audit Committee; 1 January 2016
[3] Appointed to Risk and Compliance Committee: 1 January 2016
[4] Resigned from the Board: 8 July 2015
[5] Resigned from the Board: 1 January 2015
[6] Appointed to the Board: 1 May 2015
[7] Appointed to the Board: 14 July 2015
[8] Appointed to the Board: 26 January 2016

A Corporate Governance Code of Best Practice and a Board Charter are available to Directors for reference regarding their duties and obligations. A Code of Ethics is also available and was distributed to both Directors and all employees of the Society. Directors are aware that they may take independent professional advice at the Society's expense, if necessary, for the furtherance of their duties. The Board carries out annual Board and peer Director evaluations.

The Board currently comprises nine non-executive Directors. Mr. J Mushosho is also Group Chief Executive Officer at the Society's parent company, Old Mutual Zimbabwe Limited. With the exception of Messrs. J Mushosho and L E M Ngwerume, the other non-executive Directors are considered independent and free from business or other relationships which could materially interfere with the exercise of their independent judgment.

The Rules of the Society require that one third of the Directors (in addition to those appointed by the Board during the year), shall retire each year by rotation. Proposals for re-election are considered by the Shareholders and are not automatic.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

SIGNIFICANT ACCOUNTING POLICIES

1 Reporting Entity
Central Africa Building Society is a registered Building Society in terms of the Building Societies Act (Chapter 24:02) in Zimbabwe.

The parent company is Old Mutual Zimbabwe Limited, a company registered and incorporated in Zimbabwe. The ultimate holding company is Old Mutual Plc, which is a Company incorporated and registered in United Kingdom.

Nature of Business
Central Africa Building Society conducts the principal businesses of mortgage lending, deposit acceptance and investing.

2 Accounting Policies
The principal accounting policies adopted in the preparation of the annual financial statements are set out below and have been consistently followed in all material respects

2.1 Basis of Preparation
Statement of Compliance
The Society`s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements are prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of investment properties and owner occupied properties and fair value adjustment of financial instruments. These financial statements have been prepared in accordance with the requirements of the Building Societies Act (Chapter 24:02).

2.2 Approval of Financial Statements
The financial statements were approved by the Board on 7 March 2016.

2.3 Functional and Presentation Currency
The financial statements are presented in United States dollars, which is the Society`s functional and presentation currency. Except as otherwise indicated, financial information is presented in million United States dollars rounded to two decimal places.

2.4 Use of Estimates and Judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Audited Financial Results

For the year ended 31 December 2015

CABS

A Member of the OLDMUTUAL Group

WE'LL HELP YOU GET THERE

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

2 Accounting Policies (continued)

2.4 Use of Estimates and Judgments (continued)

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation, uncertainty and judgment in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is presented in note 29.

2.5 Significant accounting policies

A full set of The Society's policies are available in its annual report, which is ready for inspection at The Society's registered office.

		Notes	31 December 2015 US$m	31 December 2014 US$m
3	**Net interest income**			
	Interest income		**100.84**	**80.50**
	Fixed deposits		17.25	12.75
	Loans and advances		83.59	67.75
	Interest expense		**(41.87)**	**(37.28)**
	Credit lines		(4.08)	(3.14)
	Savings certificate deposits		(36.17)	(31.62)
	Term deposits		(0.20)	(0.29)
	Savings deposits		(1.42)	(2.23)
	Net interest income		**58.97**	**43.22**
4	**Impairments**			
	Opening balance		15.47	11.91
	Movement through other comprehensive income		8.10	1.75
	Amounts written back/(off) during the year		(0.01)	(4.26)
	Movement through comprehensive income - current year		12.33	6.07
	Closing balance		**35.89**	**15.47**
	Analysis of closing balance:			
	Bad debts on accrued rental income and accounts in overdraft		2.36	4.59
	Regulatory provision reserves	19.3	10.53	2.44
	Loans and advances		23.00	8.44
			35.89	**15.47**
5	**Non-interest income**			
5.1	**Fee and commission income**			
	Commissions		2.71	2.97
	Service fees		28.00	23.84
	Administration fees		10.35	8.45
			41.06	**35.26**
5.2	**Other Income**			
	Net other income		**1.11**	**3.69**
	Comprising:			
5.2.1	Trading income			
	Housing projects sales		7.55	5.13
	Less cost of sales	9.3.1	(9.06)	(5.13)
	Net trading loss		(1.51)	-
5.2.2	Investment property			
	Rental income		3.87	3.46
	Less expenses		(1.57)	(2.16)
	Net rental income		2.30	1.30
5.2.3	Profit on sale of property and equipment		0.05	-
5.2.4	Fair value adjustment on financial instruments		0.27	2.39
6	**Operating expenses**			
	Administration		29.97	27.70
	Depreciation and ammortisation		7.05	5.85
	Staff costs		17.61	17.95
	Total operating expenses		**54.63**	**51.50**

The average number of persons employed by the Society during the year ended 31 December 2015 was 666 (2014: 617)

		Notes	31 December 2015 US$m	31 December 2014 US$m
7	**Cash and cash equivalents**			
	Cash balances		28.38	41.32
	Bank balances		76.91	44.13
			105.29	**85.45**
8	**Assets at Fair Value**			
8.1	**Financial assets at fair value through profit or loss**			
	Fixed deposits		136.02	110.45
	Bankers' acceptances		-	5.90
	Treasury bills		78.28	53.15
	Stocks and bonds		-	0.17
		8.2	**214.30**	**169.67**
	Maturity analysis - gross			
	On demand to 3 months		160.50	132.64
	3 months to 1 year		34.79	23.45
	1 year to 5 years		19.01	13.58
		8.2	**214.30**	**169.67**

8.2 Fair value hierarchy

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Assets at fair value through profit or loss

	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
As at 31 December 2015				
Fixed deposits	-	136.02	-	136.02
Treasury bills	-	78.28	-	78.28
Owner occupied property	-	-	36.16	36.16
Investment Property	-	-	22.98	22.98
Closing net book value	**-**	**214.30**	**59.14**	**273.44**
As at 31 December 2014				
Fixed deposits	-	110.45	-	110.45
Bankers' acceptances	-	5.90	-	5.90
Treasury bills	-	53.15	-	53.15
Stocks and bonds	-	0.17	-	0.17
Owner occupied property	-	-	37.78	37.78
Investment Property	-	-	25.82	25.82
Closing net book value	**-**	**169.67**	**63.60**	**233.27**

		Notes	31 December 2015 US$m	31 December 2014 US$m
9	**Other assets**		**77.36**	**63.74**
	Comprising:			
9.1	**Other financial assets carried at amortised cost**			
	Sundry debtors		4.27	14.56
	Other assets		9.32	2.61
			13.59	**17.17**
9.2	**Other non-financial assets**			
	Properties in possession	9.2.1	1.25	0.12
	Other assets		2.42	1.16
	Stock on hand		0.33	0.06
			4.00	**1.34**
9.2.1	**Property in possession (P.I.P)**			
	Opening fair value		0.12	0.12
	Additions		1.13	-
	Closing fair value at P.I.P		**1.25**	**0.12**
9.3	**Inventory work in progress**			
	- ZRP housing project		9.86	8.32
	- Budiriro housing project	9.3.1	49.91	36.91
			59.77	**45.23**
9.3.1	**Budiriro housing project**			
	Opening balance		36.91	0.74
	Additions		25.03	41.30
	Cost of sales	5.2.1	(9.06)	(5.13)
	Impairment		(2.97)	-
			49.91	**36.91**
10	**Intangible assets**			
	Opening balance		12.72	13.52
	Additions		2.57	2.15
	Amortisation		(3.30)	(2.95)
	Closing Balance		**11.99**	**12.72**

862

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

		Notes	31 December 2015 US$m	31 December 2014 US$m
11	**Loans and advances**			
	Gross amount owing	11.1	585.34	451.97
	Less impairment on loans and advances		(23.00)	(8.44)
			562.34	**443.53**
	Concentration - gross			
	Housing		140.70	130.36
	Individual		146.79	145.54
	Commercial and industrial		297.85	176.07
			585.34	**451.97**
	Maturity analysis - gross			
	On demand to 3 months		84.84	58.41
	3 months to 1 year		179.71	119.21
	1 year to 5 years		217.52	213.86
	Over 5 years		103.27	60.49
			585.34	**451.97**
	Total non-performing loans		**43.76**	**35.01**
	Past due but not impaired		**34.39**	**24.02**

11.1 Sectorial analysis of loans and advances

The Society monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances at the balance sheet date is shown below:

Sector	31 December 2015 US$m	31 December 2014 US$m
Trade and services	26.99	8.74
Energy and minerals	10.02	12.89
Agriculture	34.75	10.51
Construction and property	216.11	165.64
Light and heavy industry	41.11	21.03
Physical persons	146.79	160.79
Transport and distribution	78.12	55.12
State and state enterprises	31.45	17.25
Total	**585.34**	**451.97**

12 Property and equipment

	Land US$m	Buildings US$m	Office Equipment, Fixtures and Fittings and Vehicles US$m	Total US$m
Year ended 31 December 2015				
Opening net book value	4.67	37.78	8.98	**51.43**
Additions	-	3.65	2.22	**5.87**
Revaluation	(0.28)	(4.53)	-	**(4.81)**
Disposals - cost	-	-	(0.06)	**(0.06)**
Depreciation charge	-	(0.74)	(3.01)	**(3.75)**
Closing net book value	**4.39**	**36.16**	**8.13**	**48.68**
As at 31 December 2015				
Cost or valuation	4.39	36.16	16.18	**56.73**
Accumulated depreciation	-	-	(8.05)	**(8.05)**
Net book value	**4.39**	**36.16**	**8.13**	**48.68**
Year ended 31 December 2014				
Opening net book value	4.61	37.62	7.61	**49.84**
Additions	0.02	0.62	3.56	**4.20**
Revaluation	0.04	0.30	-	**0.34**
Disposals - cost	-	-	(0.04)	**(0.04)**
Depreciation charge	-	(0.76)	(2.15)	**(2.91)**
Closing net book value	**4.67**	**37.78**	**8.98**	**51.43**
As at 31 December 2014				
Cost or valuation	4.67	41.36	15.67	**61.70**
Accumulated depreciation	-	(3.58)	(6.69)	**(10.27)**
Net book value	**4.67**	**37.78**	**8.98**	**51.43**

Assets pledged as security are disclosed in note 13.

		31 December 2015 US$m	31 December 2014 US$m
13	**Investment property**		
	Opening fair value	25.82	26.39
	Fair value adjustment	(2.84)	(0.57)
	Closing fair value	**22.98**	**25.82**

A full list of locations where land and buildings are situated can be viewed at the Society's head office at Northridge Park, Harare. The properties are leased out under operating leases to various tenants. The initial contracts are for a minimum period of twelve months after which they may be extended as negotiated.

The properties were valued by Old Mutual Property Zimbabwe (Private) Limited's qualified valuers. A selected number of properties constituting at least 65% of the portfolio were independently valued by Southbay Real Estate (Private) Limited, Knight Frank Real Estate and EPG Global and compared with values obtained by Old Mutual Property Zimbabwe (Private) Limited.

As security for a credit line from PTA Bank (note 16), the Society registered a bond of US$1 million over a property, and issued powers of attorney to register bonds (in the event of default) over other properties with a total value of US$32,5 million as at 31 December 2015 (both investment properties and owner occupied properties). OMZIL has guaranteed the Shelter Afrique loan for a full amount of US$14.4 million. Shelter Afrique also took a cession of the performing loan book covering two times the exposure at any point in time. The Society secured the Proparco Loan through a negative pledge of assets plus cash security amounting to US$ 555 555.

		31 December 2015 US$m	31 December 2014 US$m
14	**Operating leases**		
14.1	**Society as a lessee**		
	Non-cancellable operating lease rentals are payable as follows:-		
	Less than 1 year	0.60	0.43
	Between 1 and 5 years	2.91	2.11
	More than 5 years	-	-
		3.51	**2.54**

The Society leases a number of banking hall facilities under operating leases. The leases typically run for an initial period of between one and three years, with an option to renew the lease after that date. Lease payments are increased regularly to reflect market rentals. None of these rentals include contingent liabilities. Operating lease expenses are disclosed as rental expenses.

		31 December 2015 US$m	31 December 2014 US$m
14.2	**Society as a lessor**		
	The Society leases out its investment properties under operating leases. Operating lease rentals are receivable as follows:		
	Less than 1 year	1.94	1.27
	Between 1 and 5 years	9.42	6.19
	More than 5 years	-	-
		11.36	**7.46**

During the year ended 31 December 2015 rental income and repairs and maintenance were recognised as income and expense respectively in the statement of comprehensive income relating to the investment property. Operating lease income is disclosed as rental income.

		31 December 2015 US$m	31 December 2014 US$m
15	**Deposits**		
	Savings certificates	580.58	459.22
	Term deposits	3.24	5.56
	Savings deposits	245.26	186.69
		829.08	**651.47**
	Maturity analysis		
	On demand to 3 months	583.85	460.65
	3 months to 6 months	53.82	107.62
	6 months to 1 year	41.55	47.71
	1 year to 5 years	108.73	13.49
	Over 5 years	41.12	22.00
		829.08	**651.47**

Concentration	31 December 2015 US$m	31 December 2015 Weight %	31 December 2014 US$m	31 December 2014 Weight %
Financial institutions	406.97	49.1%	269.27	41.3%
Companies	291.84	35.2%	283.49	43.5%
Individuals	130.27	15.7%	98.71	15.2%
	829.08	**100.0%**	**651.47**	**100.0%**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

16 Credit lines

	31 December 2015 US$m	31 December 2014 US$m
PTA Bank loan	16.67	25.00
Shelter Afrique	13.24	14.11
ZADT loan	1.00	-
Proparco loan	7.78	10.00
Accrued interest on credit lines	0.57	0.81
	39.26	**49.92**
Maturity analysis		
On demand to 3 months	3.64	1.75
3 months to 6 months	2.03	5.51
6 months to 1 year	7.45	7.39
1 year to 5 years	23.50	26.49
Over 5 years	2.64	8.78
	39.26	**49.92**

The PTA bank loan is repayable over 3 years and the Shelter Afrique and Proparco loans over 10 years. The PTA loan was obtained in September 2014, the Proparco loan in June 2014 and the Shelter Afrique loans in 2012 and 2013. The PTA loan is secured by a mortgage bond and powers of attorney over immovable property (note 13) while the Shelter Afrique loan is secured by a guarantee from OMZIL as well as a cession of the performing loan book. The Proparco loan is secured by a negative pledge of assets plus a cash security deposit. The Zimbabwe Agricultural Development Trust (ZADT) facility is a 2 year loan secured in December 2015 with the objective of providing low cost agricultural loans to small scale farmers.

17 Other liabilities

	Notes	31 December 2015 US$m	31 December 2014 US$m
Trade creditors		8.25	3.67
VAT liability		0.01	0.04
Unclaimed monies		0.01	0.01
Liabilities on letters of credits		0.30	0.30
Deferred revenue		7.74	7.23
		16.31	**11.25**

18 Provisions

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		2.90	3.12
- leave pay and bonus provisions		1.98	1.48
- other		0.92	1.64
Net movements		2.23	(0.22)
Closing balance		**5.13**	**2.90**
Comprising			
- leave pay and bonus provisions		2.47	1.98
- other		2.66	0.92
		5.13	**2.90**

19 Share capital and reserves

19.1 Ordinary class "A" share capital

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		35.00	35.00
Closing balance		**35.00**	**35.00**

The Board, may at its discretion, issue from time to time Ordinary Class " A" Paid up permanent shares in denominations of $1 each or multiples thereof and all such shares shall carry dividends payable out of the available surplus of the Society.

19.2 Retained earnings

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		68.80	46.52
Surplus for the year		28.37	24.03
Final Dividend paid		(8.00)	-
Regulatory loan loss provision		(8.10)	(1.75)
Closing balance		**81.07**	**68.80**

The entire accumulated surplus for the financial year is transferred to the retained earnings at the end of the financial period and is a distributable reserve.

19.3 Regulatory provision reserves

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		2.44	4.95
Regulatory impairment allowance		8.10	1.75
Write off		(0.01)	(4.26)
Closing balance		**10.53**	**2.44**

19.4 Non-distributable reserves

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		1.45	1.45
Closing balance		**1.45**	**1.45**

19.5 Revaluation reserves

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		25.09	24.75
Revaluation of properties	12	(4.81)	0.34
Closing balance		**20.28**	**25.09**

19.6 Share based payment reserves

	Notes	31 December 2015 US$m	31 December 2014 US$m
Opening balance		4.04	2.86
Share based payment reserve		0.79	1.18
Closing balance		**4.83**	**4.04**

20 Commitments

	Notes	31 December 2015 US$m	31 December 2014 US$m
Aggregate commitments due under advances granted but not yet disbursed		**50.60**	**48.28**

21 Derivative financial instruments

The Society does not, at present, trade in derivatives of any form.

22 Foreign Currency Exposures

The Society is currently trading in an environment where multiple currencies are in use. The United States Dollar [USD] and the South African Rand [ZAR] are the major trading currencies. The Society is exposed to exchange rate movement of the Rand and other major currencies against the United States Dollar.

23 Related party disclosures

Group Companies

The Society is a wholly owned subsidiary of OMZIL, a company with interests in insurance, asset management, unit trusts and property management. The ultimate holding company is Old Mutual Plc.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and money market investments. The Society's assets are insured through a related party (Old Mutual Insurance Company (Private) Limited), a subsidiary of the holding company. Fellow group companies are as follows:

Subsidiaries of Parent Company

- Old Mutual Life Assurance Company Zimbabwe Limited;
- Old Mutual Property Zimbabwe (Private) Limited;
- Old Mutual Investment Group Zimbabwe (Private) Limited;
- Old Mutual Securities (Private) Limited;
- Old Mutual Shared Services (Private) Limited;
- Old Mutual Property Investment Corporation (Private) Limited;
- Three Anchor Investment (Private) Limited (t/a Old Mutual Custodial Services); and
- Old Mutual Insurance Company (Private) Limited

Other Group Companies

- MBCA Bank Limited

Key Management Personnel

Key management personnel include members of the Executive Committee who are the Managing Director, Deputy Managing Director, Chief Finance Officer, Head of Corporate Banking, General Manager Operations, Head of Risk, Head of Treasury, Head of Compliance, Head of Credit and the Marketing Executive.

23.1 Loans to Directors

	31 December 2015 US$m	31 December 2014 US$m
Opening balance	13.27	0.30
Granted during the year	0.45	13.07
Interest and insurance charges	1.74	0.46
Repayments during the year	(1.11)	(0.56)
Closing balance	**14.35**	**13.27**

Loans and advances to Directors are made on the same terms and conditions as in the normal course of business with the exception of executive Directors which are in accordance with the normal staff mortgage scheme. A special condition allowance has been specifically granted to Steifel Investments (Private) Limited and the facility was executed in pursuance of OMZIL's Indigenisation Plan as agreed with the Minister of Youth Indigenisation and Economic Empowerment to acquire 3.5% of the issued and fully paid shares in the capital of OMZIL.

23.2 Balances with group companies

During the year the Society had transactions with group companies and the outstanding balances at year end were:

	31 December 2015 US$m	31 December 2014 US$m
Amounts due to the holding company	0.05	0.86
Amounts due to fellow subsidiaries	292.65	205.16
Closing balance	**292.70**	**206.02**
Amounts due from the holding company	-	0.02
Amounts due from fellow subsidiaries	0.43	0.62
Closing balance	**0.43**	**0.64**

The Society had the following bank balances with MBCA, a related party through common shareholding by the ultimate holding company (Old Mutual Plc).

	31 December 2015 US$m	31 December 2014 US$m
Current account balance	21.33	0.81
Current account balance	ZAR 2.18	ZAR 0.81

The Society had the following deposits from MBCA Bank Limited:

	31 December 2015 US$m	31 December 2014 US$m
Money market deposits	20.00	15.00
Interest accrued	0.12	0.20
	20.12	**15.20**

23.3 Transactions with group companies

The Society entered into normal business transactions with group companies at arm's length which transactions are described below:

	31 December 2015 US$m	31 December 2014 US$m
Insurance payable to Old Mutual Insurance Company (Private) Limited	1.90	1.45
Interest payable to OMZIL on savings accounts	-	0.01
Outsourced services - Old Mutual Shared Services (Private) Limited	5.57	5.25
Interest payable to fellow subsidiaries	5.81	7.71
Fees payable to Old Mutual Properties (Private) Limited	0.45	0.43

23.4 Loans to executives and senior management

	31 December 2015 US$m	31 December 2014 US$m
Loans to executives and senior management	**1.35**	**1.01**

These loans were granted at arm's length.

23.5 Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	31 December 2015 US$m	31 December 2014 US$m
Short term benefits	3.44	3.56
Post employment benefits	0.26	0.26
Share based payments	0.33	0.25
	4.03	**4.07**

The remuneration of key executives is determined by the OMZIL Board having regard to the performance of both the individual and the Society, and market trends.

23.6 Directors Fees

	31 December 2015 US$m	31 December 2014 US$m
Directors Fees	**0.23**	**0.22**

24 Post-employment Employee Benefits

24.1 Old Mutual Group Pension Fund - Defined Contribution Fund

The pension fund is a defined contribution pension fund and the amount of benefits is determined by contributions made into the fund plus profits that are declared from time to time by the fund's trustees. The contributions to the pension fund by the employer are charged to the statement of comprehensive income.

24.2 National Social Security Authority (NSSA)

All employees are members of the National Social Security Authority, which includes the Workmen's Compensation Fund, to which both the employer and the employees contribute.

25 Share-based payments

25.1 Indigenisation Transaction

In 2012 the Society, through its holding company OMZIL, entered into an indigenisation transaction under the Indigenisation and Economic Empowerment (General) Regulations (Chapter 14:33). Eligible participants received share allocations under various trusts. The allocations represent a share-based payment transaction as defined in IFRS 2 (Share-based Payment). The shares allocated are issued and fully paid shares in the capital of OMZIL.

OMZIL Indigenisation Employee Share Scheme

This scheme operates for the benefit of all employees of OMZIL. On 1 June 2012 (the allocation date), an allocation was made to the participants. The allocation is not subject to any performance targets, however, the participant must remain an employee up to and including the respective vesting dates. Staff joining the Group after the allocation date do not participate in the scheme.

Participants are paid dividends in respect of the allocated shares and are entitled to exercise the voting rights in respect of the shares. Participants may, however, only take delivery of the shares on the vesting dates, which dates occur two years after the allocation date (one-third), three years after the allocation date (one-third) and four years after the allocation date (one-third) of participation in the scheme.

OMZIL Management Incentive Share Scheme

This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Share allocations are not subject to performance targets and vest three years after the allocation date, subject to the condition that the participant remains in the OMZIL Group's employment for the three years. Participants are to be paid dividends in respect of the share awards.

	31 December 2015 US$m	31 December 2014 US$m
Costs associated with Indigenisation transaction		
Employee Share Scheme	0.46	0.93
Management Incentive Scheme	0.33	0.25
	0.79	**1.18**

Movements relating to the share schemes during the year are as follows:

	31 December 2015 US$m	31 December 2014 US$m
OMZIL Indigenisation Share Scheme		
Opening balance	4.04	2.86
Movement for the year	0.79	1.18
Closing balance	**4.83**	**4.04**

25.2 Share based payment reserve

As stated above, the shares available for the share schemes were acquired and warehoused in special purpose vehicles at the parent company, OMZIL.

	31 December 2015 US$m	31 December 2014 US$m
Employee Share Scheme	3.40	2.94
Management Incentive Scheme	1.43	1.10
Share based payment reserve	**4.83**	**4.04**

26 Contingent liabilities

Capital gains tax

The Society has an estimated deferred capital gains tax contingent liability of US$3,31 million (2014 - US$3.59 million) arising from temporary differences on owner occupied and investment properties.

27 Financial Risk Management

This note presents information about the Society's exposure to each of the following risks:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

The Board executes its mandate to oversee the Society's risk management as follows;

27.1 Credit Risk

The MCC is responsible for implementing the Board approved risk management strategies and policies for the management of credit risk under the oversight of the Board Credit Committee. The applicable activities include:

- Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Senior Managers and members of MCC. Large facilities require approval by the Society's Board Credit Committee or the Board of Directors;
- Reviewing and assessing credit risk. The Society's Board Credit Committee assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewal and review of facilities are subject to the same review process;
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market and liquidity (for investment securities);
- Reviewing compliance with agreed exposure limits including those for selected industries and product types. Regular reports are provided to the Society's Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to promote best practice throughout the Society in the management of credit risk; and
- Regular audits of the Society's credit processes are undertaken by the Society's Internal Audit.

27.2 Liquidity Risk

ALCO is responsible for the management of liquidity risk under the oversight of the Board Risk and Compliance Committee and the Board. All liquidity policies and procedures are subject to review and approval by ALCO, the Risk and Compliance Committee and the Board.

The Society's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The daily liquidity position of the Society is managed by the treasury department in liaison with the relevant departments.

862

Audited Financial Results

For the year ended 31 December 2015

CABS

A Member of the OLDMUTUAL Group

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

27 Financial Risk Management (continued)

27.2 Liquidity Risk (continued)

Details of the liquidity ratio as at 31 December 2015 are given below;

	31 December 2015 US$m	31 December 2014 US$m
Total liquid assets	319.59	255.12
Total liabilities to the public	868.34	701.39
Liquidity ratio	37%	36%
Maximum for the period	38%	41%
Minimum for the period	33%	35%
Average for the period	36%	38%

27.2.1 Liquidity Gap Analysis 2015

	On demand to 3 months US$m	3 months to 1 year US$m	1 year to 5 years US$m	Over 5 years US$m	Non-determinant maturity US$m	Total US$m
Assets						
Cash and cash equivalents	105.29	-	-	-	-	**105.29**
Financial assets at fair value through profit or loss	160.50	34.79	19.01	-	-	**214.30**
Loans and advances	84.84	179.71	217.52	80.27	-	**562.34**
Intangible assets	-	-	-	-	11.99	**11.99**
Other assets	-	-	-	-	77.36	**77.36**
Investment property	-	-	-	-	22.98	**22.98**
Property and equipment	-	-	-	-	48.68	**48.68**
Total assets	**350.63**	**214.50**	**236.53**	**80.27**	**161.01**	**1 042.94**
Liabilities and equity						
Deposits	583.85	95.38	108.73	41.12	-	**829.08**
Credit lines	3.64	9.48	23.50	2.64	-	**39.26**
Other liabilities	-	-	-	-	16.31	**16.31**
Provisions	-	-	-	-	5.13	**5.13**
Ordinary class "A" share capital	-	-	-	-	35.00	**35.00**
Retained earnings	-	-	-	-	81.07	**81.07**
Regulatory provision reserves	-	-	-	-	10.53	**10.53**
Revaluation reserve	-	-	-	-	20.28	**20.28**
Non distributable reserves	-	-	-	-	1.45	**1.45**
Share based payment reserves	-	-	-	-	4.83	**4.83**
Total liabilities and equity	**587.49**	**104.86**	**132.23**	**43.75**	**174.60**	**1 042.94**
Net liquidity gap	**(236.86)**	**109.64**	**104.30**	**36.52**	**(13.59)**	**-**
Cumulative liquidity gap	**(236.86)**	**(127.22)**	**(22.92)**	**13.59**	**-**	**-**

Liquidity Gap Analysis 2014

Total position	On demand to 3 months US$m	3 months to 1 year US$m	1 year to 5 years US$m	Over 5 years US$m	Non-determinant maturity US$m	Total US$m
Assets						
Cash and cash equivalents	85.45	-	-	-	-	**85.45**
Financial assets at fair value through profit or loss	132.64	23.45	13.58	-	-	**169.67**
Loans and advances	58.41	119.21	213.86	52.05	-	**443.53**
Intangible asset	-	-	-	-	12.72	**12.72**
Other assets	-	-	-	-	63.74	**63.74**
Investment property	-	-	-	-	25.82	**25.82**
Property and equipment	-	-	-	-	51.43	**51.43**
Total assets	**276.50**	**142.66**	**227.44**	**52.05**	**153.71**	**852.36**
Liabilities and equity						
Deposits	460.65	155.33	13.49	22.00	-	**651.47**
Credit lines	1.75	12.90	26.49	8.78	-	**49.92**
Other liabilities	-	-	-	-	11.25	**11.25**
Provisions	-	-	-	-	2.90	**2.90**
Ordinary class "A" share capital	-	-	-	-	35.00	**35.00**
Retained earnings	-	-	-	-	68.80	**68.80**
Regulatory provision reserves	-	-	-	-	2.44	**2.44**
Revaluation reserve	-	-	-	-	25.09	**25.09**
Non distributable reserves	-	-	-	-	1.45	**1.45**
Share based payment reserves	-	-	-	-	4.04	**4.04**
Total liabilities and equity	**462.40**	**168.23**	**39.98**	**30.78**	**150.97**	**852.36**
Net liquidity gap	**(185.90)**	**(25.57)**	**187.46**	**21.27**	**2.74**	**-**
Cumulative liquidity gap	**(185.90)**	**(211.47)**	**(24.01)**	**(2.74)**	**-**	**-**

862

27.2.2 Interest rate repricing and gap analysis 2015

	On demand to 3 months US$m	3 months to 1 year US$m	1 year to 5 years US$m	Over 5 years US$m	Non-Interest bearing US$m	Total US$m
Assets						
Financial assets at fair value through profit or loss	160.50	34.79	19.01	-	-	**214.30**
Loans and advances	84.84	179.71	217.51	80.28	-	**562.34**
Total assets	**245.34**	**214.50**	**236.52**	**80.28**	**-**	**776.64**
Liabilities						
Deposits	583.85	95.38	108.73	41.12	-	**829.08**
Credit lines	3.64	9.48	23.50	2.64	-	**39.26**
Total liabilities	**587.49**	**104.86**	**132.23**	**43.76**	**-**	**868.34**
Net liquidity gap	**(342.15)**	**109.64**	**104.29**	**36.52**	**-**	**(91.70)**
Cumulative interest rate repricing liquidity gap	**(342.15)**	**(232.51)**	**(128.22)**	**(91.70)**	**(91.70)**	**(91.70)**

Interest rate repricing and gap analysis 2014

	On demand to 3 months US$m	3 months to 1 year US$m	1 year to 5 years US$m	Over 5 years US$m	Non-Interest bearing US$m	Total US$m
Assets						
Financial assets at fair value through profit or loss	132.64	23.45	13.58	-	-	**169.67**
Loans and advances	58.41	119.21	213.86	52.05	-	**443.53**
Total assets	**191.05**	**142.66**	**227.44**	**52.05**	**-**	**613.20**
Liabilities						
Deposits	460.65	155.33	13.49	22.00	-	**651.47**
Credit lines	1.75	12.90	26.49	8.78	-	**49.92**
Total liabilities	**462.40**	**168.23**	**39.98**	**30.78**	**-**	**701.39**
Net liquidity gap	**(271.35)**	**(25.57)**	**187.46**	**21.27**	**-**	**(88.19)**
Cumulative interest rate repricing liquidity gap	**(271.35)**	**(296.92)**	**(109.46)**	**(88.19)**	**(88.19)**	**(88.19)**

The Society monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) as well as the submission of monthly liquidity returns to the Reserve Bank of Zimbabwe (RBZ). In addition the Society matches long term liabilities to long term investments and this is monitored through the Board Risk and Compliance Committee.

27.3 Compliance risk

Compliance risk is the risk that the Society fails to comply with the letter and spirit of all statutes, supervisory requirements and industry codes of conduct which apply to its business. The Society seeks to bring the highest standards of compliance best practice in all areas of our operations.

The Society has an independent compliance function that ensures that the Society complies with all regulatory requirements under the oversight of the Risk and Compliance and Audit Committees and the Board.

Compliance Environment

Compliance risk is managed through a Board approved Compliance Programme, the AML (Anti Money Laundering), CTF and Sanctions Screening Programme as well as internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The compliance function provides advice of regulatory and other issues pertaining to the business. The compliance function independently monitors departments to ensure adherence to policies and procedures and other technical requirements.

The Society was not subject to any regulatory fines or censure for the period under reporting.

27.4 Market Risk

Market risk is the risk that the Society's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market prices such as interest rates, credit spreads, equity prices and foreign exchange rates. Most market risks arise from trading activities. The Society is primarily exposed to interest rate risk arising from financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Overall authority for managing market risk is vested in ALCO under the oversight of the Board Risk and Compliance Committee and the Board. The Society separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the treasury department and include positions arising from market making and proprietary position taking (on the money market), together with financial assets and liabilities that are managed on a fair value basis.

Exposure to interest rate risk

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and liabilities to various standard and non-standard interest rate scenarios.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

27.5 Operational Risks

Operational risk is the direct or indirect loss arising from a variety of causes associated with the Society's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks. Operational risks arise from all of the Society's operations and are faced by all sections of the Society.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to EXCO under the oversight of the Risk and Compliance Committee. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Reconciliation and monitoring of transactions;
- Appropriate segregation of duties including the independent authorisation of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation including insurance where it is effective;
- Development of contingency plans; and
- Reporting of risks and operational losses to the risk department.

Compliance with the Society's operational policies and standards is supported by periodic reviews undertaken by Internal Audit. The results of these audits are discussed with the management of the department to which they relate and summaries are submitted to EXCO and the Audit Committee.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

27.6 Strategic Risk

EXCO is responsible for the implementation of the Board approved strategic risk policy under the oversight of the Risk and Compliance Committee and the Board.

In implementing the Society's strategy, the Board and EXCO determine and allocate financial and operating targets to departments. Monitoring of progress against the action plans is done on a monthly basis and strategic risk mitigation is done through the formulation and implementation of operational (action) plans.

27.7 Reputational Risk

The Board has delegated responsibility for effective management of reputational risk to the Risk and Compliance Committee and to EXCO. Board approved reputational risk management policies are in place. Line management has the primary responsibility for reputational risk identification and mitigation. Reputational risk management and monitoring is done in the following ways:

- Communication of information about the Society to the public or press releases is done in line with the provisions of the internal and external communications policies and with approval from EXCO. This facilitates building the Society's reputational capital (through positive information) and minimising the impact of adverse reputational risk events;
- All material events that have a potential to impact the Society's reputation are immediately escalated to the Marketing Executive, Managing Director, Head of Compliance and Head of Risk; and
- Any exposures to reputational risk are captured in the internal risk events log, with controls to mitigate the risk.

27.8 Risks and Ratings

The RBZ conducts regular examinations of the banks and financial institutions it regulates. The latest Onsite Examination of the Society was in April 2014 and the overall assessment resulted in a rating of 2 (Satisfactory) on the CAMELS scale. The CAMELS rating evaluates financial institutions on Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk.

The CAMELS and Risk Assessment ratings are summarised below:

CAMELS Component	April 2014 Ratings
Capital	1 - Strong
Asset Quality	3 - Fair
Management	2 - Satisfactory
Earnings	2 - Satisfactory
Liquidity	2 - Satisfactory
Sensitivity to market risk	2 - Satisfactory
Composite rating	2 - Satisfactory

Key

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

Summary of Risk Matrix - for RBZ Site Inspection of April 2014

Type of Risk	Level of Inherent Risk	Adequancy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Acceptable	Moderate	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign Exchange	Low	Strong	Low	Stable
Interest Rate	Moderate	Acceptable	Moderate	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal and Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	Moderate	Acceptable	Moderate	Stable

Interpretation of the Risk Matrix

Levels of inherent risk

Low:	Reflects lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the institution's overall functional condition.
Moderate	Could reasonably be expected to result in a loss, which could be absorbed by a banking institution in the normal course of business.
High	Reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of risk management systems

Weak	Risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures.
Acceptable	Management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, those have to be recognised and are being addressed. Management information systems are generally adequate.
Strong	Management effectively identifies and controls all types of risk areas 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 in place. The policies comprehensively define the banking institution's risk tolerance. Responsibilities and accountabilities are effectively communicated.

Overall composite risk

Low	This would be assigned to low risk areas. Moderate risk areas may be assigned to a low composite risk where internal controls and risk management systems are strong and effectively mitigate much risk.
Moderate	Risk management systems appropriately mitigate inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.
High	Risk management systems do not significantly mitigate the high level of risk, thus, the activity could potentially result in a financial loss that would have a significant impact on the banking institution's overall condition.

Direction of overall composite risk

Increasing	Based on the current information, risk is expected to increase in the next twelve months.
Decreasing	Based on the current information, risk is expected to decrease in the next twelve months.
Stable	Based on the current information, risk is expected to be stable in the next twelve months.

28 Capital Management

The RBZ sets and monitors capital requirements for the Society on a quarterly basis through quarterly BSD1 Returns. In implementing current capital requirements, the RBZ requires the Society to maintain a minimum capital requirement of US$25 million and capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighted assets.

The Society's regulatory capital is analysed into two tiers:

- Tier 1 capital which includes ordinary paid up capital, share premium, retained earnings and general reserves after deducting goodwill, intangible assets and exposure to insiders and connected counterparties.
- Tier 2 capital which include revaluation reserves and subordinated debt.

The Society's policy is to maintain a strong capital base so as to maintain depositor confidence and sustain future developments of the business. The Society's regulatory position as at 31 December 2015 was as follows:

	31 December 2015 US$m	31 December 2014 US$m
Capital adequacy		
Tier 1 Capital		
Ordinary class "A" share capital	35.00	35.00
Retained earnings	89.18	70.55
Less: Exposures to insiders and related counterparties	(15.62)	(13.82)
Less: Tier 1 allocated to market risk	(0.22)	(0.14)
Less: Tier 1 allocated to operational risk	(9.51)	(7.66)
Total Tier 1 Capital	**98.83**	**83.93**
Tier 2 Capital		
Tier 2 capital	36.51	37.14
Total Tier 2 capital	**36.51**	**37.14**
Tier 3 Capital		
Allocation of capital to market risk	0.22	0.14
Allocation of capital to operational risk	9.51	7.66
Total Tier 3 capital	**9.73**	**7.80**
Total Regulatory capital	**145.07**	**128.87**
Total risk weighted assets	**797.10**	**592.98**
Capital adequacy ratio	**18%**	**22%**

29 Going concern

The Directors have assessed the ability of the Society to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

30 Subsequent Events

There were no significant subsequent events affecting the financial statements for the year ended 31 December 2015 at the date of this report.