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Chairman's Statement

Operating Environment

As indicated in my first half statement, the operating environment remained challenging, characterised by weak demand for locally manufactured products. The manufacturing industry continues to suffer from company closures and poor competitiveness against imports due to manufacturing inefficiencies, working capital challenges and a stronger USD against our major trading partners.

The marginal economic growth attained was buoyed by a successful tobacco season which surpassed volume targets in spite of lower prices. However, liquidity challenges and falling commodity prices militated against growth. Despite the downward review of economic growth for 2014 to 3.1% from a growth of 4.5% realised in 2013, the International Monetary Fund (IMF) and World Bank anticipate that the country's annual growth rate to marginally increase to 3.2% in 2015.

The Central Bank's December 2014 figures show that banking sector deposits, excluding interbank deposits, grew by 12% from US$3.9 billion in December 2013 to US$4.4 billion by December 2014. Demand deposits continue to dominate, thereby stifling the ability for long-term onlending. Ongoing efforts by the authorities to revive the interbank market and restore the Central Bank's role as the 'lender of last resort' are welcome. This is essential to improve liquidity and financial intermediation within the banking sector.

Despite these challenges, the Bank remains committed to the long-term interests of its stakeholders, and to continuing to facilitate the development and growth of the Zimbabwe economy.

Financial Performance

The Bank maintained its revenue momentum in 2014 recording an above inflation growth of 3%. Operating costs increased by 8% compared to the same period last year mainly due to a deliberate investment in the business to support a refreshed strategy and efficient operating model. The liquidity constraints affecting the economy are weighing down on our customers and we continue to work with them to minimise the impact. While Loan impairment provisions increased during the year, this was offset by significant recoveries as some of our interventions have helped our customers to recuperate enabling them to repay their obligations.

Sustainability

The Bank continues to contribute significantly to social and developmental programmes in Zimbabwe both on its own and in partnership with other organisations.

"Seeing is Believing" is the Group's global initiative to help tackle avoidable blindness. The Group has provided funding to bring affordable eye-care to some of the poorest communities across the globe. In Zimbabwe, the Bank has partnered with numerous organisations to facilitate the development of primary and secondary eye-care services in many regions of the country. In collaboration with our current partner, Masvingo Province Eye Care, over 180 people were screened for sight conditions and 150 people had their sight restored through cataract operations at the Eye Camp in October 2014 held at Chivhu General Hospital. The Bank continued with its support to Morgenster Mission Hospital Eye Care by donating a further US$20,000 towards the Chivhu Eye Camp and theatre equipment for the hospital.

A community month programme pioneered by the Bank in Zimbabwe in 2004 now runs annually in our markets around the world. As part of the community month, our staff commit some of their time to underprivileged children, the disabled and the elderly. More than forty charitable organisations in Zimbabwe continue to benefit from this initiative. Beneficiaries include Ruwa Rehabilitation Centre, Danai Children's Home, Voice of Peace, Matthew Rusike Children's Home, Montgomery Heights (Children's Orphanage), and Lovemore Children's Home.

In addition to annual leave, every staff member in the Bank is accorded three days of volunteering leave to take part in community initiatives of their choice. The Bank's objective is to encourage employees to commit their time and unique skills to help the needy in our society. In 2014, Bank staff achieved 948 Employee Volunteering days in support of community investment programmes. Initiatives included mentoring young students, advising small enterprises in financial management skills, supporting environmental, health and education initiatives.

The Bank is committed to advancing Zimbabwe's education initiatives, which is central to national growth. In this regard, the Bank has run joint education programmes, which include the funding of educational scholarships up to university level for the underprivileged in conjunction with World Vision. In addition, on an annual basis, the Bank extends fifteen internship placements to local university students.

The Bank has remained a key member of the Zimbabwe Business Council on AIDS, which assists in the fight against HIV and AIDS by offering valuable leadership to advance the agenda of fighting the disease. HIV/AIDS awareness training in companies, schools and social organizations is one of the Bank's initiatives to educate the society. Oriel Girls High, Roosevelt Girls, Eaglesvale High School and Nketa Secondary School have been beneficiaries of such programmes.

Standard Chartered Bank Zimbabwe continues to look for ways to minimise its direct impact on the environment. In partnership with Friends of the Environment, we have sponsored an awareness campaign over the last five years in five regions of Zimbabwe. The Standard Chartered Bank tree nursery set up at Madziwa High School in 2013, saw the production of 250,000 tree saplings in 2014. This project is contributing immensely to the green economy agenda.

Corporate Governance

The Bank and Board of Directors remain committed to the maintenance of the highest standards of corporate governance across all our banking activities. A Risk Management framework is in place to ensure adherence to internal processes and procedures as well as regulatory requirements. To enhance Board oversight, its sub-committees are chaired by independent Non Executive Directors and constituted by experienced individuals.

In the first half of the year, Amos Manzai, the former Director, Finance and Administration, retired with effect from 1 April 2014 after eleven years of distinguished service with Bank. Amos' contribution and unwavering service throughout the turbulent hyperinflation period will be missed and we wish him well in his future endeavours. The Board has appointed Christopher Mwerenga as Amos' successor. Chris is no stranger to the Bank having worked for Standard Chartered Bank here in Zimbabwe and in the Southern Africa region. Samuel Mushiri was appointed as a Director with effect from January 2014. Chris and Samuel bring with them a lot of experience and we wish them well in their new roles.

In the second half of the year, the Board bid farewell to Tse Koon Shee and welcomed Jo-Ann Pohl and Simbarashe Mabhena to the Board. We would like to thank Tse Koon for his invaluable contribution over the years and wish him well in his career with the Bank. Both Jo-Ann and Simbarashe are part of the Standard Chartered Bank Africa region currently serving in Finance and Financial Markets roles respectively. We look forward to their contribution in taking the Bank's corporate governance to the next level.

Outlook

As I mentioned in the first half of 2014, the Bank has reorganised its business and is still in transformation mode as it seeks to implement a refreshed operating model. 2015 will see the Bank start to realise incremental benefits in productivity and improved service delivery. The Group is set to streamline its footprint across the globe and its local franchise, like most markets, will be affected by the realignment. All changes to our branch network will be made carefully to ensure that we continue to offer the best levels of service to our clients and meet all regulatory, compliance and other requirements.

The expected economic growth, coupled with the Bank's internal initiatives should position the Bank to deliver better performance in 2015. I am confident that the robust controls and processes that the Bank has in place will help it navigate the current difficult operating environment.

Acknowledgement

The Bank remains indebted to its staff, management and my fellow Directors for their dedication and commitment. Their hard work saw the Bank being recognised through the following accolades:

- Best Bank in Zimbabwe 2014 - Banks and Banking Survey
- Best Foreign Bank in Zimbabwe 2014 - EMEA Finance
- Best Emerging Markets Bank 2014 - Global Finance
- 1st Runner up, Investor of the Year, Banking Category 2014 - Zimbabwe Investment Authority
- Most Reliable International Financial Institution of the Year 2014 - Megafest

Once again, I would like to thank the Bank's customers for their loyalty throughout the year and to reassure them that the Bank's brand promise remains the same - to be Here for good. The Bank's aim is to leverage on its network and channels in delivering relevant world class products and services. I would therefore like to take this opportunity to thank all the Bank's stakeholders for their continued support and confidence in the Bank and wish them well in 2015.

S. V. Rushwaya
CHAIRMAN

19 March 2015

Directors

S. V. Rushwaya
Chairman

J. Pohl
Non Executive Director

L. T. Manatsa
Non Executive Director

I. J. Mckenzie
Non Executive Director

S. Mabhena
Non Executive Director

S. Mushiri
Non Executive Director

R. Watungwa
Chief Executive Officer

C. Mwerenga
Executive Director

S. Nhakaniso
Executive Director

Report of the Directors

for the year ended 31 December 2014

1 SHARE CAPITAL

The authorised and issued share capital of Standard Chartered Bank Zimbabwe Limited ("the Bank") remained unchanged at 1 000 000 and 825 000 ordinary shares respectively. The par value of the shares was redenominated in 2009 to USD1 per ordinary share upon the change in functional currency.

2 BASIS OF PREPARATION AND PRESENTATION OF ACCOUNTS

The Directors are responsible for the preparation, integrity and fair presentation of the financial statements of the Bank. The financial statements have been prepared and presented in compliance with International Financial Reporting Standards, the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and the relevant Statutory Instruments.

3 DIRECTORATE

Chairman	S. V. Rushwaya***
Directors	R. Watungwa (Chief Executive)*
	S. Nhakaniso*
	J. Pohl**
	I. J. Mackenzie***
	C. Mwerenga*
	L. T. Manatsa***
	S. M. Mushiri***
	S. Mabhena**

* Executive

** Non-Executive

*** Independent Non-Executive

4 CORPORATE GOVERNANCE

The Board

The Board, which comprises three Executive Directors, two Non-Executive Directors and four Independent Non-Executive Directors, meets for a minimum of four times each year and has oversight over the Bank's affairs. It sets and monitors the Bank's strategy, reviews the Bank's performance and ensures that adequate financial resources are available to operate the Bank. The Board of Directors oversees compliance with Corporate Governance best practice, the Reserve Bank regulations and other regulatory requirements, as well as policies and procedures of the Standard Chartered Bank Group.

Directors' Attendance at Board Meetings

Director	Date of Meeting			
	20-Mar-14	5-Jun-14	4-Sep-14	27-Nov-14
R. Watungwa	√	√	√	√
S. V. Rushwaya*	√	√	√	√
I. J. Mackenzie	√	√	√	√
A. R. T. Manzai**	√	N/A	N/A	N/A
C. Mwerenga***	N/A	√	√	√
S. M. Mushiri****	√	√	√	√
S. Nhakaniso	√	√	x	√
L. T. Manatsa	x	√	√	√
T. K. Shee*****	x	√	x	N/A
J. Pohl******	N/A	N/A	N/A	x
S. Mabhena*******	N/A	N/A	√	√

Key: √ Present | x absent

* Chairman

** Retired with effect from 1 April 2014

*** Appointed with effect from 26 March 2014

****Appointed with effect from 27 January 2014

*****Resigned with effect from 10 October 2014

******Appointed with effect from 7 October 2014

*******Appointed with effect from 23 July 2014

The Board has four sub-committees that deal with Audit, Risk, Loans Review and Credit.

Audit Committee

The Audit Committee, inter alia, reviews the Bank's financial statements and liaises with the external and internal auditors on accounting policies, procedures and other internal controls in operation.

Director	Number of meetings attended	Number of meetings held in 2014	Minimum number of meetings to be held in a year
I. J. Mackenzie	4	4	4
L. T. Manatsa	4		
S. M. Mushiri	3		

Risk Committee

The Risk Committee's mandate is to ensure the quality, integrity and reliability of the Bank's risk management systems and processes. The Committee has the responsibility, inter alia, of reviewing and assessing the Bank's risk control systems, and to ensure that risk policies and strategies are effectively managed. The Committee also makes an independent review of management actions and decisions pertaining to enterprise risk.

Director	Number of meetings attended	Number of meetings held in 2014	Minimum number of meetings to be held in a year
S. V. Rushwaya	4	4	4
R. Watungwa	4		
S. Mabhena*	2		
S. Nhakaniso**	2		
J. Pohl***	0		

*Appointed with effect from 23 July 2014

** Replaced by S. Mabhena with effect from 23 July 2014

***Appointed with effect from 7 October 2014

Loans Review Committee

The Committee reviews the quality of the Bank's loan portfolio in order to ensure its conformity to sound lending policies approved and adopted by the Board. The Committee ensures that the Board is adequately informed regarding portfolio risk.

Director	Number of meetings attended	Number of meetings held in 2014	Minimum number of meetings to be held in a year
I. J. Mackenzie	4	4	4
A. R. T. Manzai*	1		
S. Nhakaniso***	2		
C. Mwerenga**	2		
S. V. Rushwaya**	1		

*Retired with effect from 1 April 2014

**Appointed with effect from 5 June 2014

***Replaced by S. V. Rushwaya with effect from 5 June 2014

Credit Committee

The Committee oversees the overall lending policy of the Bank. It ensures that there are effective processes and procedures to identify and manage irregular problem exposures and minimise credit losses while maximising recoveries.

Director	Number of meetings attended	Number of meetings held in 2014	Minimum number of meetings to be held in a year
L. T. Manatsa	4	4	4
R. Watungwa	4		
A. R. T. Manzai*	1		
S. M. Mushiri**	2		

* Retired with effect from 1 April 2014

**Appointed with effect from 5 June 2014

5 STATEMENT OF COMPLIANCE

At some point during the year under review, the former Chief Financial Officer was a member of both the Board Credit Committee and Loans Review Committee. This has now been regularised as the Chief Financial Officer is no longer a member of the Board Credit Committee. Save for that, the Bank complied with all statutes regulating financial institutions as well as Corporate Governance best practice.

The Bank also complied with the Reserve Bank of Zimbabwe's (RBZ) directives on liquidity management, capital adequacy, as well as prudential lending guidelines.

6 GOING CONCERN BASIS

The financial statements were prepared on a going concern basis. In the opinion of the Directors, the Bank's business is sound and adequate resources exist to support this basis.

The financial statements were approved at Board meeting held on 19 March 2015.

By order of the Board

C. Kamba

Company Secretary

19 March 2015

Report of the Independent Auditors

Deloitte.

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Zimbabwe

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We have audited the accompanying financial statements of Standard Chartered Bank Zimbabwe Limited ("the Bank") on pages 11 to 61, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) the Banking Act (Chapter 24:20), and the relevant Statutory Instruments (SI 33/99 and SI 62/96). This responsibility includes: designing, implementing and maintaining sound internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Standard Chartered Bank Zimbabwe Limited as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have, in all material respects, been properly prepared in compliance with the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

Deloitte Touche

Deloitte & Touche
Harare, Zimbabwe
19 March 2015

Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 USD	2013 USD
Interest income	6	25 887 692	26 139 059
Interest expense	7	(1 598 397)	(3 696 900)
Net interest income		**24 289 295**	**22 442 159**
Fees and commission income	8.1	44 439 910	41 274 590
Commission expense	8.2	(6 451 908)	(4 928 741)
Foreign currency trading income	8.3	4 407 412	5 812 824
Other income	8.4	493 998	835 811
Non-interest income		**42 889 412**	**42 994 484**
Total operating income		**67 178 707**	**65 436 643**
Operating expenses	9	(55 084 134)	(50 972 547)
Profit before impairment charge		**12 094 573**	**14 464 096**
Bad debts written off		(906 615)	(717 822)
Loan impairment charge	15.3	(717 198)	(585 230)
Net impairment charge		**(1 623 813)**	**(1 303 052)**
Profit before tax		**10 470 760**	**13 161 044**
Tax expense	10.1	(3 762 806)	(3 526 695)
Profit for the year		**6 707 954**	**9 634 349**
Total comprehensive income for the year		**6 707 954**	**9 634 349**
Basic earnings per share (USD)	**12**	**8.13**	**11.68**

Statement of Financial Position

as at 31 December 2014

	Notes	2014 USD	2013 USD
ASSETS			
Cash and cash equivalents	13	132 387 124	130 887 392
Financial assets available for sale	14	16 162 339	45 288 934
Loans and advances to customers	15.1	200 007 472	180 684 221
Current tax asset	10.5	-	571 696
Other assets	16	5 864 679	2 683 801
Restricted balances with the Central Bank	17	17 183 976	27 908 929
Investment property	18	6 230 000	6 260 000
Property and equipment	19	29 897 096	30 510 305
Total assets		**407 732 686**	**424 795 278**
EQUITY AND RESERVES			
Share capital	11.2	825 000	825 000
Share premium	11.3	20 625 000	20 625 000
Foreign currency translation reserve	11.3	5 936 639	5 888 147
Revaluation reserve	11.6	9 147 077	9 147 077
Retained earnings	11.4	35 711 145	38 637 540
Total equity and reserves		**72 244 861**	**75 122 764**
LIABILITIES			
Deposits from customers	20.1	288 319 109	313 664 329
Deposits from banks	21	5 492 141	729 440
Other liabilities	22	31 764 186	26 943 552
Provisions	23	7 075 092	4 537 906
Current tax liability	10.5	329 363	-
Deferred tax liability	10.3	2 507 934	3 797 287
Total liabilities		**335 487 825**	**349 672 514**
Total equity and liabilities		**407 732 686**	**424 795 278**

S. V. Rushwaya
Chairman
19 March 2015

R. Watungwa
Chief Executive Officer
19 March 2015

C. Mwerenga
Chief Financial Officer
19 March 2015

Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital USD	Share premium USD	Foreign currency translation reserve USD	Revaluation reserve USD	Retained earnings USD	Total USD
Balance as at 1 January 2014	825 000	20 625 000	5 888 147	9 147 077	38 637 540	75 122 764
Profit for the year	-	-	-	-	6 707 954	6 707 954
Restatement of an asset	-	-	60 000	-	-	60 000
Deferred tax on restatement	-	-	(11 508)	-	-	(11 508)
Dividend paid	-	-	-	-	(9 634 349)	(9 634 349)
Balance as at 31 December 2014	**825 000**	**20 625 000**	**5 936 639**	**9 147 077**	**35 711 145**	**72 244 861**
Balance as at 1 January 2013	825 000	20 625 000	5 888 147	9 147 077	29 003 191	65 488 415
Profit for the year	-	-	-	-	9 634 349	9 634 349
Balance as at 31 December 2013	**825 000**	**20 625 000**	**5 888 147**	**9 147 077**	**38 637 540**	**75 122 764**

Statement of Cash Flows

for the year ended 31 December 2014

	Note	2014 USD	2013 USD
Cash flow from operating activities			
Profit before tax		10 470 760	13 161 044
Adjustments for:			
Fair value loss/(gain) on investment property		216 600	(170 000)
Profit on disposal of property and equipment		(107 970)	(125 764)
Depreciation		1 901 213	1 817 902
Bad debts written off		906 615	717 822
Loan impairment charge		717 198	585 230
Provisions for branch closure and related costs		1 958 763	-
Operating cash flow before changes in operating assets and liabilities		**16 063 179**	**15 986 234**
Changes in operating assets and liabilities:			
Decrease/(increase) in financial assets available for sale		29 126 595	(6 962 954)
(Increase)/decrease in gross loans and advances to customers		(20 947 064)	15 137 216
Increase in other assets		(2 791 386)	(120 954)
Decrease/(increase) in restricted balances with the Central Bank		10 724 953	(2 869 744)
(Decrease)/increase in deposits from customers		(25 345 220)	15 372 572
Increase/(decrease) in deposits from banks		4 762 701	(1 154 869)
Increase in other liabilities		4 820 634	7 236 465
Increase in provisions		578 423	5 030 490
		16 992 815	47 654 456
Corporate tax paid		(4 522 100)	(4 089 810)
Net cash generated from operating activities		**12 470 715**	**43 564 646**
Cash flow from investing activities			
Proceeds from disposal property and equipment		166 330	129 320
Purchase of property and equipment		(1 502 964)	(1 685 735)
Net cash utilised in investing activities		**(1 336 634)**	**(1 556 415)**
Cash flow from financing activities			
Dividend paid		(9 634 349)	-
Net cash utilised in investing activities		**(9 634 349)**	**-**
Net increase in cash and cash equivalents		**1 499 732**	**42 008 231**
Cash and cash equivalents at beginning of the year		130 887 392	88 879 161
Cash and cash equivalents at the end of the year		**132 387 124**	**130 887 392**

1 INCORPORATION AND ACTIVITIES

Standard Chartered Bank Zimbabwe Limited ("the Bank") is a commercial bank registered and domiciled in Zimbabwe and is owned by Standard Chartered Bank, Standard Chartered Holdings Africa (BV) and Standard Chartered Holdings International (BV). The address of the Company's registered office is 2nd Floor, Old Mutual Centre, corner Jason Moyo Avenue and Third Street, Harare. The Bank offers a wide range of financial services.

2 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in United States dollars, which is the Bank's functional currency. Except where indicated, financial information presented has been rounded to the nearest United States dollar.

3 BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in a form applicable to a commercial bank registered in terms of the Banking Act (Chapter 24:20), and in conformity with International Financial Reporting Standards (IFRS), and the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

During the year under review, the former Chief Financial Officer was a member of both the Board Credit Committee and Loans Review Committee. This has now been regularised as the Chief Financial Officer is no longer a member of the Board Credit Committee. Save for that, the Bank complied with all statutes regulating financial institutions as well as Corporate Governance best practice.

Furthermore, the Bank complied with the following statutes inter alia: - The Banking Act (Chapter 24:20) and the Banking Regulations, Statutory Instrument 205 of 2000, the Exchange Control Act (Chapter 22:05), the Bank Use, Promotion and Suppression of Money Laundering Act (Chapter 24:24), the National Payments Systems Act (Chapter 24:23) and the Companies Act (Chapter 24:03).

In addition, the Bank also complied with the Reserve Bank of Zimbabwe directives on liquidity management, capital adequacy and prudential lending guidelines.

3.2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following relevant and applicable new amendments to existing standards that became effective for the Bank in the current year.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

Key requirements

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set off must be contingent on a future event.

The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the settlement criterion.

Impact

The Bank considered the requirements of the amendment on its financial assets and liabilities that are subject to central clearing and there was no impact on its financial statements as such central clearing houses require net settlement.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

Key requirements:

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. However, as written, an entity was required to disclose the recoverable amount for each cash generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives was allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets within indefinite useful lives. This requirement has been deleted by these amendments. In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is asked on face value less costs of disposal; and
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

Impact

The amendment did not affect the Bank as no impairment loss on its non-financial assets was recorded and the Bank does not have goodwill or intangible assets with indefinite useful lives which are subject to annual impairment testing.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39

Key requirements:

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations;
- In which the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties; and
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.
The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

Impact

The amendment did not have an impact on the Bank as there was no novation or derivatives used for hedge accounting.

IFRIC 21 Levies

Key requirements

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by governments on entities in accordance with legislation.

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached.

The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards.

Impact

The amendment did not have any impact on the Bank as the Bank does not pay significant levies.

3.3 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property, available for sale assets, and property and equipment whose values have been stated at fair value. Where necessary, prior year figures have been reclassified to improve comparability of the information and to ensure relevance to the understanding of the current year's financial results.

3.4 Use of estimates and judgements

In the application of the Bank's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised, if the revision affects only that reporting period and future reporting periods.

The main estimates and judgments are made in relation to the following:

Fair valuation of investment property and land and buildings

The Bank carries its investment properties at fair value, with changes in fair value being recognised in profit and loss. The Bank, engaged an independent valuation specialist to assess fair value of investment property, as at 31 December 2014. For investment properties, a valuation methodology based on discounted cash flows (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties and their liquid conditions in the market. In addition, the Bank measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. Residential buildings were valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. A DCF model was used to value commercial land and buildings, as there is a lack of comparable market data because of the nature of the properties and the illiquid conditions in the market. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 18 and 19.

Defined benefit plans (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using the actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate , management considers the interest rates of corporate bonds, in currencies consistent with the currencies of the post employment benefit obligation with at least an 'AA' rating or above as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined obligation.

The mortality rate is based on publicly available mortality tables for Zimbabwe. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates.

Further details about pension obligations are provided in Note 24.

Fair valuation of available for sale assets

The fair values of available for sale financial assets are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as discount rates.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit and loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events, for which there is objective evidence but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation and loan-to-collateral ratios) and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and performance of individual groups)

The impairment loss on loans and advances is disclosed in more detail in Note 15.

3.5 Going concern

The financial statements are prepared on a going concern basis. In the opinion of the Directors, the Bank's business is sound and adequate resources exist to support this basis.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity.

Classification of financial instruments

The Bank classifies its financial instruments into classes that reflect the characteristics of those financial instruments as follows:

Category as defined by IAS 39	Description	Classes as shown on statement of financial position
Financial assets	Loans and receivables	• Loans and advances to customers • Other assets • Balances due from the Central Bank
	Available for sale financial assets	• Financial assets available for sale
Financial liabilities	Financial liabilities at amortised cost	• Deposits from customers • Deposits from banks • Other liabilities

4.1.2 Initial recognition and subsequent measurement

4.1.2.1 Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives, designated as hedging instruments in an effective hedge. All financial assets not recorded through profit and loss are recognised initially at fair value, including transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit and loss;
- Loans and receivables;
- Held to maturity investments; and
- Available for sale financial assets.

The Bank currently has loans and receivables and available for sale financial assets.

Loans and receivables

This category is the most relevant to the Bank and comprise of cash and cash equivalents, balances with the Central Bank and other assets as disclosed on the statement of financial position. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in profit and loss. The losses arising on impairment are recognised in profit and loss, net of impairment charges. For more information on loans and receivables, refer to Note 15.

Available for sale assets

The Bank's available for sale financial assets comprise of debt securities. Debt securities in this category are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit and loss, or the investment is determined to be impaired when the cumulative loss is reclassified from the available for sale reserve to profit and loss. Interest earned whilst holding available for sale financial assets is reported as interest income using the EIR method.

For a financial asset reclassified from available for sale, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit and loss over the remaining life of the investment using the EIR. Any difference, between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit and loss.

Refer to Note 14 for more detail on available for sale financial assets.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset has expired; or
- The Bank has transferred its rights to receive cash flows in full without material delay to a third party under a pass through arrangement, and either
  a) The Bank has transferred substantially all the risks and rewards of the asset; or
  b) The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, balances held with other banks, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short term commitments.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosure for significant estimates and assumptions (Note 3.4); and
- Loans and advances to customers (Note 15).

The Bank assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on estimated future cash flows of the financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For a financial asset carried at amortised cost, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment impairment.

Any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The asset's carrying amount is reduced through the use of an allowance account and the loss is recognised in profit and loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows, for the purpose of measuring the impairment loss. Loans and advances, together with the associated allowances, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is recorded as bad debts recovered in profit and loss.

Impairment on loans and advances to customers

Loan impairment charges are provided for in accordance with the provisions of the Banking Act (Chapter 24:20) and IFRS. Specific provisions covering identified doubtful debts are based on periodic evaluation of loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk.

Interest income on loans and advances is accrued in profit and loss until such time a reasonable doubt exists with regards to its collectability. Thereafter and until all or part of the loan or advance is written off, interest income continues to accrue on customers' accounts using the rate of interest used to discount future cash flows for the purposes of measuring impairment loss, but is not included in profit and loss. Such suspended interest is deducted from loans and advances on reporting. A loan is considered non-performing where principal or interest or both is due and unpaid for 90 days or more or where interest payments equal 90 days or more have been capitalised, refinanced or rolled over.

Past due but not impaired loans are loans and advances where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Available for sale financial assets

For available for sale financial assets, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

For debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit and loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through profit and loss.

4.1.2.2 Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans, borrowings and payables, or as derivatives designated as hedging instruments, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Bank's financial liabilities include deposits from customers, deposits from banks and other liabilities are all classified as loans and borrowings. The Bank may also have liabilities relating to financial guarantee contracts where applicable.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans, borrowings and payables

After initial recognition, loans, borrowings and payables are subsequently measured at amortised costs. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are incurred in the process of acquiring the liability. For more information on financial liabilities classified as loans and borrowings, refer to Note 20, Note 21 and Note 22.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in liability to financial guarantees is recorded in profit and loss. The premium received is recognised in profit and loss on a straight line basis over the life of the guarantee.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

4.1.2.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.1.2.4 Fair value measurement

The Bank measures financial instruments such as available for sale financial assets and non financial assets such as investment properties and land and buildings at fair value at each reporting date. Fair value related disclosures for financial instruments and non financial assets that are measured at fair value are summarised in the following notes:

- Use of significant estimates and assumptions - Note 3.4;
- Financial assets available for sale - Note 14;
- Investment properties - Note 18; and
- Property and equipment - Note 19.

Fair value is the amount that would be received on sell of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non financial asset takes into account market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it to other market participants that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for the same or identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the assets' or liabilities' fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the assets' or liabilities' fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

4.2 Property and equipment

Owned assets

Items of property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Motor vehicles, office equipment and furniture and fittings are stated at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are stated at fair value less accumulated depreciation (for buildings) and impairment losses.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in profit and loss as an expense when incurred.

Properties in the course of construction for administrative or other uses are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified as appropriate categories of property and equipment when completed and are ready for intended use. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Revaluation and impairment

Revaluations of land and buildings are performed with sufficient regularity, by external independent valuers, such that the carrying amounts of the land and buildings do not differ materially from those that would be determined using fair values at the end of each reporting date. Any accumulated depreciation on buildings at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Subsequent depreciation is based on the revalued amount.

Any increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same buildings previously recognised in profit and loss, in which case the increase is credited to profit and loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of land and buildings is recognised in profit and loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that land or building. Upon disposal, any revaluation reserve relating to the particular land or building being sold is transferred to retained earnings.

Depreciation and residual values

Depreciation is recognised in profit and loss to write off the cost, less estimated residual value, of motor vehicles, furniture and fittings, computers and office equipment, and buildings on a straight line basis over their estimated remaining useful lives.

Asset residual values and useful lives are reviewed and adjusted as appropriate at each statement reporting date. The change in residual values and useful lives is treated as a change in accounting estimate.

The depreciation rates for assets are as follows:

Buildings	2.5%
Premises fixed equipment	10%
Motor vehicles	33.33%
Computer equipment	20.00%
Office equipment	33.33%
Furniture, fixtures and fittings	33.33%

The carrying amount of the Bank's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised in profit and loss or other comprehensive income for properties previously revalued.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, and no impairment loss has been recognised for the asset in prior years. Such reversal is recognised in profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognised.

4.3 Investment property

Investment properties are properties held to earn rentals for capital appreciation. Investment properties are initially measured at cost, including transaction costs and subsequently at fair value with the gains and losses arising from changes in the fair value of investment properties being recognised in profit and loss in the reporting period in which they arise. Rental income from investment property is accounted in profit and loss.

Fair value is determined annually by an independent registered valuer. Fair value is based on current prices in the market for similar properties, in the same location and condition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the reporting period in which the property is derecognised.

4.4 Employee benefits

The Bank operates both defined contribution and defined benefit schemes for its employees.

Defined contribution plan

Contributions to the defined contribution scheme are recognised as an expense in profit and loss when incurred. The Bank has no further obligation once the contribution has been paid.

Defined benefit plan

The Bank's net obligation in respect of the defined benefit scheme is calculated separately by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior reporting periods. That future benefit is discounted to determine its present value and compared to the fair value of existing plan assets. The calculation is performed by a qualified actuary every three years using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the reporting period in which they occur. Remeasurements are not reclassified to profit and loss in subsequent reporting periods.

Past service costs are recognised in profit and loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Bank recognises related and restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation in profit and loss:

- Service costs, comprising current service costs, past service costs, gains and losses on curtailments and non routine settlements; and
- Net interest expense or income.

Termination benefits

The Bank recognises a liability and expense for termination benefits at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank, recognises costs for a restructuring that is within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

4.5 Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation, as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restructuring provisions are recognised only when the Bank has a constructive obligation, which is when the Bank has approved a detailed formal plan identifying the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and the employees affected have been notified of the plan's main features.

4.6 Revenue

Interest income and expense

Interest income and expense are recognised in the profit and loss as they accrue, taking into account the effective yield of the financial asset or an applicable floating rate using the effective interest rate (EIR) method. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate of that financial asset or liability.

Fees and commission

Fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognised in profit and loss as the related services are performed.

Loan commitment fees for loans that are likely to be drawn and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised in the profit and loss over the commitment period on a straight line basis.

Foreign currency trading income

Gains and losses arising from foreign currency dealings are recognised in the profit and loss as the foreign currency dealings are performed.

4.7 Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit and loss. Non monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

4.8 Leases

Leases are classified as finance leases when the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Bank does not have any finance leases.

Operating lease expenses are recognised in profit and loss on a straight line basis over the term of the lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the reporting period in which they are incurred. The aggregate benefit of incentives received to enter into operating leases are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern of the Bank's benefit from the use of the leased asset.

4.9 Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is also recognised in equity.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT, included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

4.10 Related parties

The Bank has related party relationships with fellow subsidiaries, the parent company and key management employees. Transactions and balances with related parties are shown in Note 26.

4.11 Assets under custody

The Bank commonly acts as a trustee and in other fiduciary capacities that result in the holding and placing of assets on behalf of individuals, trusts and other institutions. These assets are not recognised in the Bank's statements of comprehensive income and financial position, as they are not assets of the Bank but are disclosed in the notes to the financial statements

5 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

5.1 New and revised IFRSs not applied and with no material effect on the financial statements

A number of new standards, amendments to standards and interpretations were issued but were not yet effective for the year ended 31 December 2014 as follows:

IFRS 9 Financial Instruments – revised version issued in July 2014 to include:

a) Impairment requirements for financial assets; and
b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments (effective for annual periods beginning on or after 1 January 2018).

IFRS 15 Revenue from contracts with customers – Recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (effective for annual periods beginning on or after 1 January 2017)

IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 prohibit, effective for annual periods beginning on or after 1 January 2016, entities from using a revenue based depreciation method for items of property, plant and equipment, while those to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset save for the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or
b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

None of the new standards, interpretations and amendments, which are not yet effective, are expected to have a material effect on the Bank's future financial statements.

		2014 USD	2013 USD
6	**INTEREST INCOME**		
	Loans and advances to banks	65 737	8 073
	Loans and advances to customers	24 135 179	23 940 593
	Bonds, bills and acceptances	1 686 776	2 190 393
		25 887 692	**26 139 059**
7	**INTEREST EXPENSE**		
	Demand deposits	-	860 008
	Savings deposits	420 513	64 222
	Time deposits	1 172 351	2 772 670
	Total interest expenses to customers	**1 592 864**	**3 696 900**
	Deposits by banks	5 533	-
		1 598 397	**3 696 900**
8	**NON-INTEREST INCOME**		
8.1	**Fees and commission income**		
	Account service fees and charges	7 472 517	5 595 936
	Lending fees	8 550 713	7 231 841
	Transaction related commissions	20 483 340	25 096 333
	Other fees and commissions	7 933 340	3 350 480
		44 439 910	**41 274 590**
8.2	**Commission expense**		
	Card transactions	3 451 176	2 181 358
	Cash repatriation	981 340	1 287 669
	Deposit protection insurance	596 585	412 246
	Nostro bank charges	389 934	376 638
	Other	1 032 873	670 830
		6 451 908	**4 928 741**
8.3	**Foreign currency trading income**		
	Dealing income	4 407 412	5 812 824
8.4	**Other income**		
	Fair value (loss)/gain on investment property	(216 600)	170 000
	Rental income from investment property	560 314	415 047
	Profit on sale of property and equipment	107 970	125 764
	Other miscellaneous income	42 314	125 000
		493 998	**835 811**

	2014 USD	2013 USD
9 OPERATING EXPENSES		
Audit fees	120 941	144 221
Depreciation	1 901 213	1 817 902
Staff costs (Note 9.1)	32 724 002	23 436 887
Directors' emoluments (Note 9.2)	680 889	638 582
Group cross border recharges	8 808 410	10 232 707
Premises and equipment costs	5 569 274	7 597 225
Other	5 279 405	7 105 023
	55 084 134	**50 972 547**
9.1 Staff costs		
Salaries and allowances	18 007 126	15 371 189
Compulsory social security contributions	421 074	284 084
Defined contribution pension expense	1 878 037	1 729 431
Defined benefit pension expense	184 253	192 448
Staff separation costs	5 793 960	-
Other costs	6 439 552	5 859 735
	32 724 002	**23 436 887**

The average number of employees during 2014 was 726 (2013:701).

	2014 USD	2013 USD
9.2 Directors' emoluments		
Fees for services as directors	54 000	42 499
Pension	25 464	24 084
Salaries	598 949	569 364
Other emoluments	2 476	2 635
	680 889	**638 582**

	2014 USD	2013 USD
10. TAXATION		
10.1 Analysis of tax charge		
Charge for taxation based on taxable income for the year	4 718 387	3 828 054
Provision for aids levy	141 552	114 842
	4 859 939	**3 942 896**
Prior year adjustment	203 729	-
Deferred tax credit	(1 300 862)	(416 201)
	3 762 806	**3 526 695**

The income tax rate applicable to the Bank's 2014 taxable income was 25.75% (2013: 25.75%)

10.2 Reconciliation of tax charge

	2014 USD	2013 USD
Notional tax charge based on profit for the year	2 696 221	3 388 969
Additional tax charge/(savings) resulting from:		
Prior year additional tax charge	203 729	-
Non tax deductible expenses	862 856	173 001
Income taxed at different rates	-	(35 275)
Total tax charge	**3 762 806**	**3 526 695**

10.3 Deferred tax liability

The deferred tax liability is attributable to the following:

	2014 USD	2013 USD
Property and equipment	6 124 416	6 019 081
Investment property	311 500	313 000
Loan impairment provision	(2 493 503)	(2 493 664)
Foreign exchange revaluation gains	2 724	23 622
Expensed assets	-	(204 121)
Other temporary differences	(1 437 203)	139 369
Balance as at 31 December	**2 507 934**	**3 797 287**

10.4 Deferred tax movement during the year

	2014 USD	2013 USD
Balance as at 1 January	3 797 287	4 213 488
Recognised in profit and loss	(1 300 861)	(416 201)
Recognised in equity:		
- Tax effect on reinstatement of property	11 508	-
Balance as at 31 December	**2 507 934**	**3 797 287**

	2014 USD	2013 USD
10.5 Current tax liability/(asset) movement		
Balance as at 1 January	(571 696)	(424 782)
Current tax expense for the year	4 859 939	3 942 896
Payment made during the year	(4 522 100)	(4 089 810)
Prior year tax	203 729	-
Settled against ZIMRA claim	359 491	-
Balance as at 31 December	**329 363**	**(571 696)**
11. CAPITAL AND RESERVES		
11.1 Authorised share capital		
1 000 000 ordinary shares of USD1 each	**1 000 000**	**1 000 000**
11.2 Issued share capital		
825 000 ordinary shares of USD1 each	**825 000**	**825 000**

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03), unissued shares are under the control of the Directors. This is in accordance with the Articles and Memorandum of Association of the Bank.

	2014 USD	2013 USD
11.3 Capital reserves		
Share premium	20 625 000	20 625 000
Foreign currency translation reserve (Note 11.5)	5 936 639	5 888 147
	26 561 639	**26 513 147**
11.4 Retained earnings		
Retained earnings	**35 711 145**	**38 637 540**

11.5 Non-distributable reserves

The reserves arose from the change in functional currency exercise carried out as at 1 January 2009. Upon conversion to United States dollars, a special reserve was created to account for the net of the converted assets and liabilities.

11.6 Revaluation reserve

The revaluation reserve arises from the revaluation of land and buildings, net of deferred tax. When revalued land and buildings are sold, the portion of the property revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the revaluation reserve will not be reclassified subsequently to profit and loss.

12. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings and a weighted average number of ordinary shares.

Basic earnings per share amounts are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no dilutive potential ordinary shares as at the reporting date and as a result basic earnings per share and diluted earnings per share are the same.

	2014 USD	2013 USD
Profit attributable to shareholders of the Bank (USD)	6 707 954	9 634 349
Weighted average number of ordinary shares	825 000	825 000
Basic and diluted earnings per share (USD)	8.13	11.68

	2014 USD	2013 USD
13 CASH AND CASH EQUIVALENTS		
Cash and balances with banks	63 218 277	102 653 733
Unrestricted balances with the Central Bank	69 076 388	28 129 287
Money market placements	92 459	104 372
Total cash and cash equivalents	**132 387 124**	**130 887 392**

	2014 USD	2013 USD
14 FINANCIAL ASSETS AVAILABLE FOR SALE		
Debt and other fixed-income instruments		
Bonds and notes issued by the Government	11 497 693	15 850 998
Money market instruments issued by others	4 664 646	29 437 936
	16 162 339	**45 288 934**
Maturities		
5 years or less but over 1 year	-	4 664 646
1 year or less but over 3 months	13 994 412	27 307 773
3 months or less including payable on demand	2 167 927	13 316 515
	16 162 339	**45 288 934**

	2014 USD	2013 USD
15 LOANS AND ADVANCES TO CUSTOMERS		
15.1 Loans and advances		
Loans and advances to customers	213 809 611	191 738 239
Less:		
- Specific and portfolio doubtful debt provision (Note 15.3)	(9 683 507)	(8 966 309)
- Interest in suspense	(4 118 632)	(2 087 709)
	200 007 472	**180 684 221**
Maturities		
With a residual maturity of:		
- 3 months or less	92 980 035	121 402 846
- Between 3 months and 1 year	10 369 165	16 134 848
- Between 1 and 5 years	110 460 411	54 200 545
	213 809 611	**191 738 239**
Less:		
- Specific and portfolio doubtful debt provision (Note 15.3)	(9 683 507)	(8 966 309)
- Interest in suspense	(4 118 632)	(2 087 709)
	200 007 472	**180 684 221**

15.2 Sectoral analysis of utilisations

	2014		2013	
	USD	%	USD	%
Agriculture and horticulture	26 031 619	12%	46 278 530	24%
Construction and property	2 948 387	1%	4 017 510	2%
Commerce	48 683 106	23%	43 382 585	23%
Mining	-	0%	1 408	0%
Manufacturing	78 502 402	37%	50 394 528	26%
Transport and communications	2 429 153	1%	2 638 725	1%
Individuals	53 380 716	25%	41 607 060	22%
Other	1 834 228	1%	3 417 893	2%
	213 809 611	**100%**	**191 738 239**	**100%**

The Bank's concentrations of risk are managed by client/ counterparty, geographical region and industry sector.

15 LOANS AND ADVANCES TO CUSTOMERS (continued)

15.3 Provisions for bad and doubtful debts

	2014			2013		
	Specific USD	Portfolio USD	Total USD	Specific USD	Portfolio USD	Total USD
Balance as at 1 January	504 780	8 461 529	8 966 309	103 218	8 277 861	8 381 079
New provisions	6 087 314	-	6 087 314	1 397 545	183 668	1 581 213
Provisions reversed	(1 185 284)	(4 184 832)	(5 370 116)	(995 983)	-	(995 983)
Loan impairment charge*	**4 902 030**	**(4 184 832)**	**717 198**	**401 562**	**183 668**	**585 230**
Balance as at 31 December	**5 406 810**	**4 276 697**	**9 683 507**	**504 780**	**8 461 529**	**8 966 309**

* In the prior year, loan impairment charge included bad debts written off. In the current year, bad debts written off have been disclosed separately, as part of the movement in gross loans and advances instead of the movement in loan impairment charges, as management has assessed that this reflects a more accurate presentation of bad debts written off. Consequently comparative figures have been reclassified although the net impact in the prior year statement of comprehensive income is nil.

15.4 Non-performing loans and advances to customers

	2014 USD	2013 USD
Total loans and advances on which interest is suspended	13 356 645	12 235 682
Interest in suspense	(4 118 632)	(2 087 709)
Specific doubtful debt provision	(5 083 351)	(1 214 314)
Net non-performing loans	**4 154 662**	**8 933 659**

15.4.1 Ageing of non-performing loans as at 31 December

	2014		2013	
	USD Gross	USD Net	USD Gross	USD Net
Past due up to 30 days	3 462 927	1 273 782	9 873 126	6 627 689
Past due up to 60 days	913 713	871 858	4 390	4 390
Past due up to 90 days	502 042	183 769	178 477	178 477
Past due up to 180 days	5 661 405	483 958	309 450	309 450
Past due up to 365 days	81 394	80 564	1 870 239	1 813 653
Over 1 year	2 735 164	1 260 731	-	-
Balance as at 31 December	**13 356 645**	**4 154 662**	**12 235 682**	**8 933 659**

15 LOANS AND ADVANCES TO CUSTOMERS (continued)

15.5 Loans to executive directors

	2014 USD	2013 USD
Loans to executive directors*	**102 666**	**75 305**

*Loans to executive directors are on the same terms and conditions as relating to all other staff.

	2014 USD	2013 USD
16 OTHER ASSETS		
Accrued interest receivable	726 588	736 102
Internal accounts	5 138 091	1 947 699
	5 864 679	**2 683 801**

	Note	2014 USD	2013 USD
17 RESTRICTED BALANCES WITH THE CENTRAL BANK			
Customer's foreign currency account balances	17.1	16 938 576	27 663 529
Customers' refundable FOLIWAR deposits		245 400	245 400
		17 183 976	**27 908 929**

17.1 Restricted balances with the Central Bank relate to customers' foreign currency account (FCA) funds that were transferred to the Central Bank during the Zimbabwe dollar era in line with exchange control regulations in force at the time. These balances are not available for use in the Bank's day to day operations.

In the current financial year, the Government assumed the Central Bank's debt and issued Treasury Bills for the principal amounts only. Consequently, the customers' FCA principal amounts were set off against the Treasury Bills. The remaining amount as at 31 December 2014 relates to the interest component which is yet to be settled by the Government. The related interest claims by the affected customers have been reported under Other liabilities (Note 22).

	2014 USD	2013 USD
18 INVESTMENT PROPERTY		
Balance as at 1 January	6 260 000	6 090 000
Additions and improvements	186 600	-
Fair value (loss)/gain	(216 600)	170 000
Balance as at 31 December	**6 230 000**	**6 260 000**

The entire Bank's investment property is held under freehold interests and comprise of office, retail and residential buildings.

18 INVESTMENT PROPERTY (continued)

Rental income and expenses relating to investment property

	2014 USD	2013 USD
Rental income derived from investment properties	560 314	415 047
Direct operating expenses (including repairs and maintenance) generating rental income	(56 489)	(52 247)
Net rental income	**503 825**	**362 800**

The Bank has no restrictions on the reliability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Reconciliation of fair value:

	Office USD	Retail USD	Residential USD	Total USD
Balance as at 1 January 2013	3 000 000	2 420 000	670 000	6 090 000
Remeasurement recognised in profit and loss	100 000	50 000	20 000	170 000
Balance as at 31 December 2013	**3 100 000**	**2 470 000**	**690 000**	**6 260 000**
Remeasurement recognised in profit and loss	(186 600)	(30 000)	-	(216 600)
Addition/Improvements to investment property	186 600	-	-	186 600
Balance as at 31 December 2014	**3 100 000**	**2 440 000**	**690 000**	**6 230 000**

Valuation process

The fair value of the Bank's investment property as at 31 December 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates by Dawn Property Consultancy, independent valuers not related to the Bank. Dawn Property Consultants are members of the Real Institute of Zimbabwe, the Estate Agency Council of Zimbabwe and the Valuers' Council of Zimbabwe, and they have appropriate qualifications and relevant experience in the valuation of properties in the relevant locations. For residential properties, the fair values were arrived at by reference to recent market transactions at arm's length terms while for commercial properties, the fair values were arrived at by reference to market rental yields.

18 INVESTMENT PROPERTY (continued)

Valuation techniques and key unobservable inputs

Type of asset	Valuation technique	Key unobservable inputs	Range (weighted average)
2014			
Office buildings	Implicit investment approach	Estimated price per square metre per month	USD12/sm
Retail buildings	Implicit investment approach	Estimated rental value per square metre per month	
Rent growth per annum			
Long term vacancy rate discount rate	USD5/sm		
0% pa			
9%-12% pa			
Residential buildings	Comparative approach	Similar recent market transactions	Depends with the market
2013			
Office buildings	Implicit investment approach	Estimated price per square metre per month	USD12/sm
Retail buildings	Implicit investment approach	Estimated rental value per square metre per month	
Rent growth per annum			
Long term vacancy rate discount rate	USD5/sm		
0% pa			
8.5%-12% pa			
Residential buildings	Comparative approach	Similar recent market transactions	Depends with the market

Narrative sensitivity

Significant increases/(decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher /(lower) fair value of the properties. Significant increase/ (decreases) in the long term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value.

Significant increases/(decreases) in estimated price per square metre in isolation would result in a significantly higher/ (lower) fair value.

19. PROPERTY AND EQUIPMENT

19.1 Movement for the year ended 31 December 2014

	Premises USD	Furniture & fittings USD	Motor vehicles USD	Office equipment USD	Total USD
Cost / Valuation					
Balance as at 1 January 2014	28 905 684	335 514	2 716 486	2 397 700	34 355 384
Additions	436 967	-	559 718	319 679	1 316 364
Disposals	-	-	(753 374)	-	(753 374)
Restatement of asset *	60 000	-	-	-	60 000
Balance as at 31 December 2014	**29 402 651**	**335 514**	**2 522 830**	**2 717 379**	**34 978 374**
Depreciation					
Balance as at 1 January 2014	577 203	134 773	1 769 258	1 363 845	3 845 079
Charge for the year	616 326	110 513	643 328	531 046	1 901 213
Disposals	-	-	(665 014)	-	(665 014)
Balance as at 31 December 2014	**1 193 529**	**245 286**	**1 747 572**	**1 894 891**	**5 081 278**
Net book value as at 31 December 2014	**28 209 122**	**90 228**	**775 258**	**822 488**	**29 897 096**

At the end of 2014 the useful life of computer equipment was revised from 3 year to 5 years. The cumulative future effect of the change in estimate is an increase in depreciation of USD49 924, as the total future deprecation for computer and equipment, as at 31 December 2014, is now USD100 397 whereas it would have been USD50 473 before the change. Save for that, there were no changes in accounting estimates, residual values, depreciation methods and useful lives for property and equipment.

Valuation of the Bank's land and buildings is performed at least every three years by Dawn Property Consultancy, independent valuers not related to the Bank. The revaluation was carried out as at 31 December 2013 although no adjustments were made as the outcomes were not materially different to the land and buildings' carrying amounts. The next revaluation exercise is due by 31 December 2016.

For residential properties, the revalued amounts were arrived at by reference to recent markets transactions at arms' length terms while for commercial properties the revalued amounts were arrived at by reference to market rental yields.

* The USD60 000 reinstatement of an asset relates to a Rusape residential property that had been omitted from the asset register upon the change of reporting currency in 2009.

19 PROPERTY AND EQUIPMENT (continued)

19.2 Movement for the year ended 31 December 2013

	Premises USD	Furniture & fittings USD	Motor vehicles USD	Office equipment USD	Total USD
Cost / Valuation					
Balance as at 1 January 2013	28 244 000	233 249	2 222 086	2 142 456	32 841 791
Additions	661 684	102 265	666 543	255 244	1 685 736
Disposals	-	-	(172 143)	-	(172 143)
Balance as at 31 December 2013	**28 905 684**	**335 514**	**2 716 486**	**2 397 700**	**34 355 384**
Depreciation					
Balance as at 1 January 2013	-	31 589	1 434 869	729 305	2 195 763
Charge for the year	577 203	103 184	502 976	634 540	1 817 903
Disposals	-	-	(168 587)	-	(168 587)
Balance as at 31 December 2013	**577 203**	**134 773**	**1 769 258**	**1 363 845**	**3 845 078**
Net book value as at 31 December 2013	**28 328 481**	**200 741**	**947 228**	**1 033 855**	**30 510 305**

	2014 USD	2013 USD

20 DEPOSITS FROM CUSTOMERS

20.1 Deposits by type

	2014 USD	2013 USD
Payable on demand	248 093 057	261 313 991
Savings deposits	39 174 035	24 388 350
Term deposits	1 052 017	27 961 988
	288 319 109	**313 664 329**

20.2 Maturity analysis

	2014 USD	2013 USD
Payable on demand	248 093 057	261 313 991
3 months or less	39 174 035	24 388 350
Between 3 months and 12 months	1 052 017	27 961 988
	288 319 109	**313 664 329**

20.3 Concentration of deposits from customers

	2014		2013	
	USD	%	USD	%
Individuals	91 415 785	32%	80 481 084	26%
Agriculture	9 920 807	4%	14 738 367	5%
Mining	3 687 468	1%	4 852 040	2%
Manufacturing	28 591 670	10%	47 320 531	15%
Distribution	49 759 294	17%	52 184 463	17%
Construction	3 217 635	1%	4 491 418	1%
Transport	9 599 560	3%	10 589 508	2%
Services	80 261 324	28%	84 362 545	27%
Other	11 865 566	4%	14 644 373	5%
	288 319 109	**100%**	**313 664 329**	**100%**

21 DEPOSITS FROM BANKS

	2014 USD	2013 USD
Deposits from related banks	5 492 141	383 045
Deposits from other banks	-	346 395
	5 492 141	**729 440**

		2014 USD	2013 USD
22	**OTHER LIABILITIES**		
	Accrued interest payable	1 714	434 679
	Remittances in transit	2 772 225	858 959
	Staff voluntary separation costs	3 808 197	-
	Accrued interest on customer FCA balances held at the Central Bank	16 699 979	14 629 614
	Group cross border recharges*	5 457 691	6 457 817
	Other	3 024 380	4 562 483
		31 764 186	**26 943 552**

* In the prior year, the cross border recharges payable were included under provisions and other accruals. In the current year, the balance has been reclassified to other liabilities as management have assessed that this reflects a more accurate presentation of the balance. Consequently, comparative figures have been reclassified resulting in other liabilities being represented as USD26 943 552 instead of USD20 485 735 whilst provisions disclosed in note 23 have been represented as USD4 537 906 instead of USD 10 995 723.

23 PROVISIONS

	Performance bonus USD	Other USD	Total USD
Balance as at 1 January 2014	2 551 336	1 986 570	4 537 906
Provisions made during the year	2 537 894	8 650 368	11 188 262
Provisions paid/reversed during the year	(2 468 393)	(6 182 683)	(8 651 076)
Balance as at 31 December 2014	**2 620 837**	**4 454 255**	**7 075 092**
Balance as at 1 January 2013	2 491 379	3 473 854	5 965 233
Provisions made during the year	2 456 836	7 750 495	10 207 331
Provisions paid/reversed during the year	(2 396 879)	(9 237 779)	(11 634 658)
Balance as at 31 December 2013	**2 551 336**	**1 986 570**	**4 537 906**

Performance bonus:

The provision is recognised for expected bonus payments to employees. It is expected that the bonus will be paid in the next financial year. The bonus provision was based on the Bank's financial results for the current financial year, the Bank's policy and the history of actual payments. The final payment is subject to approval by the Directors.

Other provisions:

Included in other provisions are branch closure and related costs of USD1 958 763 (2013: USD Nil).

24 PENSION COSTS

The Bank operates both defined contribution and defined benefit schemes for its employees whose details are as below.

Defined benefit plan

The Bank sponsors a funded defined benefit plan for qualifying employees. The defined benefit plan is administered by a separate Fund that is legally separated from the entity. The Trustees of the pension fund are composed of an equal number of representatives from both employers and employees. The Trustees of the pension fund are required by law to act in the interest of the Fund and of all relevant stakeholders in the scheme i.e. active employees, inactive employees, retired employees and the employer. The Trustees of the pension fund are responsible for the investment policy with regard to the assets of the Fund.

Under the defined benefit plan, employees are entitled to a post retirement monthly instalment amounting to 67% of final salary at the time of retirement, with the retirement age being 60. The pensionable salary is not limited. The defined benefit plan typically exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk, and salary risk as described below.

Risk type	Description
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, property and money market placements. Due to the long-term nature of the plan liabilities, the Trustees of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in property to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan assets.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan liability.

	2014 USD	2013 USD
24 PENSION COSTS (continued)		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	4.2%	5.1%
Expected return on plan assets	4.2%	5.1%
Expected rate of salary increase	4.0%	4.0%
Expected return on reimbursement rights	in line with inflation	in line with inflation
Return on investments	4.2%	5.1%
Amounts recognised in the statement of comprehensive income		
Current service cost	85 000	87 000
Past service cost	-	600 000
Interest (income)/cost	570 000	(92 000)
Actuarial loss	975 000	92 000
Administration expenses	7 000	7 000
Net periodic pension cost	**1 637 000**	**694 000**
Analysis of fund status as at end of the year		
Plan assets at market value	12 769 000	11 250 000
Defined benefit obligation	(11 166 000)	(9 646 000)
Prepaid pension cost	**1 603 000**	**1 604 000**
Unrecognised prepaid cost	(1 603 000)	(1 604 000)
Recognised in other comprehensive income	**-**	**-**
Movement in prepaid pension cost		
Balance as at 1 January	1 604 000	2 100 000
Less net periodic pension cost	(81 000)	(602 000)
Less net interest income on the defined benefit liability	(104 000)	(92 000)
Add employer contributions for the year	184 000	198 000
Balance as at 31 December	**1 603 000**	**1 604 000**

The prepaid pension cost of USD1 603 000 has not been recognised in other comprehensive income as the associated economic benefits are not expected to accrue to the Bank.

	2014 USD	2013 USD
24 PENSION COSTS (continued)		
Changes in the present value of the defined benefit obligation over the year		
Balance as at 1 January	9 646 000	9 700 000
Current service cost	85 000	87 000
Past service cost	-	600 000
Employee contributions	76 000	87 000
Interest cost	570 000	405 000
Actuarial loss/(gains)	975 000	(1 106 000)
Benefits paid	(186 000)	(127 000)
Balance as at 31 December	**11 166 000**	**9 646 000**
Changes in the fair value of the plan assets over the year		
Balance as at 1 January	11 250 000	11 800 000
Expected return on plan assets	581 000	497 000
Fair value movement	871 000	(1 198 000)
Employer contributions	184 000	198 000
Employee contributions	76 000	87 000
Benefits paid	(186 000)	(127 000)
Administration expenses paid	(7 000)	(7 000)
Balance as at 31 December	**12 769 000**	**11 250 000**
Plan assets consist of the following:		
Equity	6 158 000	5 231 000
Property	1 534 000	1 127 000
Money market	5 077 000	4 892 000
	12 769 000	**11 250 000**

The fair values of the above equity investments are determined based on quoted prices in an active market whereas the fair values of properties are determined by reference to recent market transactions on arm's length terms by an independent valuer. Money market placements are held to maturity at amortised cost.

Significant actuarial assumptions for the determination of the defined obligation plan are discount rate and inflation rate. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting date, while holding other assumptions constant.

- If the discount rate is 100 basis points higher or lower, the defined benefit obligation would increase by USD1 741 000 and decrease by USD1 397 000 respectively.
- If the inflation rate is 100 basis points higher, the defined benefit obligation would increase by USD746 000.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Defined contribution plan

The amount attributable to the defined contribution plan as at 31 December 2014 was USD19 732 000 (2013: USD18 880 000). The Bank's contributions to the fund in the year to 31 December 2014 was USD2 062 290 (2013: USD1 946 146).

25 NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

All employees are members of the National Social Security Authority Scheme, to which both the Bank and the employees contribute. Contributions by the employer are charged to profit and loss.

26 RELATED PARTIES

Related parties comprise of the Bank's key management personnel, shareholders, fellow subsidiaries, holding company and/or entities related to the Bank's key management personnel, shareholders, fellow subsidiaries and holding company. Key management comprises the directors (executive and non-executive) of the Bank and all Heads of Divisions. From time to time directors of the Bank, or their related entities, may access banking services and facilities offered by the Bank. Transactions with related parties are done at arm's length. Interest rates are at the same rates offered to all other customers.

Key management personnel compensation

	2014 USD	2013 USD
Short term employee benefits	1 744 131	1 703 268
Post employment benefits	77 631	81 569
Total compensation paid to key management personnel	**1 821 762**	**1 784 837**

Transactions and balances with key management personnel

	2014 USD	2013 USD	2014 USD	2013 USD
	Loan balance		Interest income	
Loans extended to key management	320 500	271 598	7 187	10 194
Loans to companies under the control of management:				
Nectorfield (Private) Limited*	50 000	65 000	3 735	4 817
Lusama Fashion enterprise (Private) Limited **	-	181 815	11 648	11 733

*Nectorfield (Private) Limited is a company co- owned by S. Nhakaniso, a director of the Bank.

**Lusama Fashion Enterprise (Private) Limited is a company co-owned by L. Chirume, a senior manager of the Bank.

26 RELATED PARTIES (continued)

Transactions and balances with related entities

Name of related party	Nature of relation	Nature of transaction	Amount of transaction Income/(Expense) 2014 USD	Amount of transaction Income/(Expense) 2013 USD	Outstanding balance Debit/(Credit) 2014 USD	Outstanding balance Debit/(Credit) 2013 USD
Standard Chartered PLC	Head Office	Shared service costs paid	(8 808 410)	(10 232 707)	(5 457 691)	(6 457 817)
	Head Office	Offshore loan revenue received	548 485	163 000	177 074	442 013
Various SCB banks	Fellow subsidiaries	Banking deposits (Vostro)	-	-	(5 492 141)	(383 045)
		Banking deposits (Nostro)	-	-	1 766 518	21 828 719
Africa Enterprise Network Trust*	Trustees on behalf of shareholders	Banking deposits	-	-	(442 534)	(442 774)

The amount owed to related parties have been disclosed under deposits from banks and under loans and advances to customers. No loans or balances receivable from related parties were provided for or written off during the current and prior year.

*Africa Enterprise Network Trust is a fund that was created to hold dividends declared but not paid to the shareholders during the hyperinflation era. These funds were utilised to purchase shares on the Zimbabwe Stock Exchange. The amount outstanding represents the dividend paid from the investments carried out by Africa Enterprise Network Trust.

27 COMMITEMENTS AND CONTINGENT LIABILITIES

27.1 Operating lease commitments — Bank as lessee

The Bank has several operating leases with tenors up to five years. The leases with tenors of more than one year provides for annual reviews of the terms based on prevailing market conditions. The Bank has the option to renew some of its leases. Future minimum rentals payable, based on the latest reviews, under non-cancellable operating leases as at 31 December 2014 are as follows:

	2014 USD	2013 USD
Within one year	83 000	79 000
After one year but not more than five years	375 627	357 525
Total	**458 627**	**436 525**

27.2 Operating lease commitments — Bank as lessor

The Bank has entered into operating leases on its investment property portfolio consisting of certain office, retail and residential buildings. These leases have tenors up to five years, with the terms reviewable annually according to prevailing market conditions.

The Bank does not recognise rental income until all necessary accrual conditions have been met. Future minimum rentals receivable, based on the latest reviews, under non-cancellable operating leases as at 31 December 2014 are as follows:

	2014 USD	2013 USD
Within one year	300 000	185 000
After one year but not more than five years	1 357 689	837 242
	1 657 689	**1 022 242**
27.3 Other commitments	**50 836 628**	**18 637 002**

Other commitments relate to obligations arising from unutilised available limits on all other committed facilities amounting to USD39 million (2013: USD18 million) and uncommitted facilities amounting to USD11 million (2013: USD16 thousand).

	2014 USD	2013 USD
27.4 Contingent liabilities		
Tax assessment under dispute (Note 27.4.1)	4 062 583	10 763 942
Letters of credit	1 435 031	4 857 933
Foreign currency forwards	8 835 007	13 502 942
Disputed FCA balances (Note 27.4.2)	2 275 586	-
Unfunded pension liability (Note 27.4.3)	6 605 000	-
Guarantees	10 886 609	30 984 688
Other commitments	50 836 628	18 637 003
	84 936 444	**78 746 508**

27 COMMITEMENTS AND CONTINGENT LIABILITIES (continued)

27.4.1 Tax assessment under dispute

The Zimbabwe Revenue Authority (ZIMRA) issued assessments during an audit of the Bank for the amount in question for the reporting period covering years 2009 to 2011 which the Bank appealed against. Subsequent to the reporting date, the High Court issued its ruling on the Bank's appeal on the 27th of February 2015. The ruling disallowed the appeal in regards to ZIMRA's deemed income on offshore loans, Nostro bank charges and staff voluntary separation costs while the appeal on deemed income on Nostro account balances was upheld. The Bank's Legal and Tax teams are assessing the basis of the Court ruling with a view to contesting the disallowed appeal. The Bank believes it has a strong case in light of the normal banking practices in the country and internationally relating to the areas creating the different interpretations.

27.4.2 Disputed FCA balances

The amount relates to cases where customers have taken the Bank to court over their FCA balances held by the Central Bank as explained in Note 17.1. Negotiations are currently taking place to encourage customers to accept the Treasury Bills issued by the Government and withdraw the court cases.

27.4.3 Unfunded pension liability

The Bank's Actuary has indicated that there is an unfunded liability amounting to USD6.6m on the Bank's Defined Contribution (DC) Pension Scheme. This liability is arising from a clause on the DC Pension Scheme that guarantees pensioners' spouses a monthly cash payout of 25% of the pensioner's last salary in addition to the pensioner's accumulated credit in the event of the pensioner's death. However, that clause is not in tandem with the features of a typical DC Scheme as noted by the Actuary and the Pension Trustees are working towards aligning the DC Pension Scheme rules.

28 RISK MANAGEMENT FRAMEWORK

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Foreign exchange risk
- Interest rate risk
- Operational risk
- Reputational risk
- Legal and compliance risk
- Strategic risk
- Capital risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

28.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Bank's Asset and Liability (ALCO), Credit and Operational Risk Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. The Audit committee comprises of Independent non-executive Directors while all other Board committees have both executive and non-executive members. These committees report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through training and management standards and procedures, aims to develop and maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in these functions by internal audit which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Bank's loans and advances (to customers and other banks) and investment securities. The Bank actively manages its credit risk at the individual transaction, counterparty and other portfolio levels, using a variety of qualitative and quantitative measures. The Bank endeavours to minimise risk as far as possible by only granting a loan where the probability of default is acceptable.

Based on evaluation of the counterparty's creditworthiness and the type of credit arrangement desired, credit limits are assigned by experienced credit officers and approved by the Board Credit Committee. Loan advances in the agricultural sector are 100% secured by tangible collateral in the form of bonds over properties or are backed by commodity structures. The remainders of the loan advances are to the commercial and manufacturing sectors where the lending is to established large multinational corporate which in most instances are multi-banked. These are secured by intra group guarantees and Notarial General Covering Bonds over movable assets subject to individual risk profiles.

An estimate of the fair value of collateral and other security enhancements held against loans to customers is as follows:

Security from customers Against collectively unimpaired loans	2014 USD	2013 USD
Asset based	232 859 700	281 422 450
Property	246 528 910	241 293 350
Commodity	14 062 500	47 406 250
Total collateral	**493 451 110**	**570 122 050**
Against individually impaired loans		
Asset based	3 312 469	1 456 838

Some loans issued within the corporate banking department are secured by parental guarantees. Collateral would have been lodged with Standard Chartered Bank Group in their respective head offices.

Renegotiated loans

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loans are restructured they remain in this category independent of satisfactory performance after restructuring.

	2014 USD	2013 USD
Renegotiated loans and advances to customers	**4 250 188**	**4 832 389**

28 RISK MANAGEMENT FRAMEWORK (continued)

28.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting the obligations of its financial liabilities. Liquidity risk arises from the fact that assets and liabilities have differing maturities. Liquidity issues are addressed through the Asset and Liability Committee (ALCO) of the Bank comprising the Chief Executive Officer, Senior Credit Officer and respective Heads of Corporate and Institutional Clients, Commercial Clients, Retail Clients, Financial Markets as well as Finance and Administration. At its meetings, ALCO deals with strategic and policy issues on liquidity, and sets the positions and mismatch levels within which the activities of the next period are conducted. It is the responsibility of ALCO to ensure that the Bank has sufficient liquidity at any given time.

28.3.1 Liquidity gap analysis as at 31 December 2014

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-financial items USD	Total USD
Assets						
Cash and cash equivalents	132 387 124	-	-	-	-	132 387 124
Financial assets available for sale	-	2 167 927	13 994 412	-	-	16 162 339
Loans and advances to customers	56 705 385	30 272 471	9 699 800	103 329 816	-	200 007 472
Other assets	5 864 679	-	-	-	-	5 864 679
Restricted balances with the Central Bank	-	-	-	17 183 976	-	17 183 976
Investment property	-	-	-	-	6 230 000	6 230 000
Property and equipment	-	-	-	-	29 897 096	29 897 096
	194 957 188	**32 440 398**	**23 694 212**	**120 513 792**	**36 127 096**	**407 732 686**
Liabilities and equity						
Shareholders' funds	-	-	-	-	72 244 861	72 244 861
Deposits from customers	287 267 092	1 052 017	-	-	-	288 319 109
Deposits from banks	5 492 141	-	-	-	-	5 492 141
Other liabilities	31 764 186	-	-	-	-	31 764 186
Provisions	7 075 092	-	-	-	-	7 075 092
Current tax liability	-	329 363	-	-	-	329 363
Deferred tax liability	-	-	-	-	2 507 934	2 507 934
	331 598 511	**1 381 380**	**-**	**-**	**74 752 795**	**407 732 686**
Liquidity gap	**(136 641 323)**	**31 059 018**	**23 694 212**	**120 513 792**	**(38 625 699)**	
Cumulative gap	**(136 641 323)**	**(105 582 305)**	**(81 888 093)**	**38 625 699**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.3 Liquidity risk (continued)

28.3.2 Liquidity gap analysis as at 31 December 2013

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-financial items USD	Total USD
Assets						
Cash and cash equivalents	130 887 392	-	-	-	-	130 887 392
Financial assets available for sale	7 796 092	5 520 423	27 307 773	4 664 646	-	45 288 934
Loans and advances to customers	47 756 141	62 592 687	16 134 849	54 200 544	-	180 684 221
Current tax asset	-	571 696	-	-	-	571 696
Other assets	2 683 801	-	-	-	-	2 683 801
Restricted balances with the Central Bank	-	-	-	27 908 929	-	27 908 929
Investment property	-	-	-	-	6 260 000	6 260 000
Property and equipment	-	-	-	-	30 510 305	30 510 305
	189 123 426	**68 684 806**	**43 442 622**	**86 774 119**	**36 770 305**	**424 795 278**
Liabilities and equity						
Shareholders' funds	-	-	-	-	75 122 764	75 122 764
Deposits from customers	285 702 341	27 961 988	-	-	-	313 664 329
Deposits from banks	729 440	-	-	-	-	729 440
Other liabilities	15 114 481	-	-	11 829 071	-	26 943 552
Provisions	4 537 906	-	-	-	-	4 537 906
Deferred tax liability	-	-	-	-	3 797 287	3 797 287
	306 084 168	**27 961 988**	**-**	**11 829 071**	**78 920 051**	**424 795 278**
Liquidity gap	**(116 960 742)**	**40 722 818**	**43 442 622**	**74 945 048**	**(42 149 746)**	
Cumulative gap	**(116 960 742)**	**(76 237 924)**	**(32 795 302)**	**42 149 746**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.4 Foreign exchange risk

Foreign exchange risk is the risk to earnings and ultimately to capital, arising from movements in foreign exchange rates. The Bank makes use of dealer management and counterparty positions as the basic management control tool for foreign exchange risk.

28.4.1 Currency position

	US dollars USD	GPB USD	EUR USD	ZAR USD	Other USD	Total USD
Balance as at 31 December 2014						
Assets						
Monetary assets	355 833 665	1 610 933	1 952 585	11 869 753	338 654	371 605 590
Non-monetary assets	36 127 096	-	-	-	-	36 127 096
Total assets	**391 960 761**	**1 610 933**	**1 952 585**	**11 869 753**	**338 654**	**407 732 686**
Liabilities and equity						
Monetary liabilities	316 800 156	1 610 933	1 952 585	11 869 753	746 464	332 979 891
Non-monetary liabilities	74 752 795	-	-	-		74 752 795
Total liabilities and equity	**391 552 951**	**1 610 933**	**1 952 585**	**11 869 753**	**746 464**	**407 732 686**
Net exposure	**407 810**	**-**	**-**	**-**	**(407 810)**	

28.4.2 Currency position

	US dollars USD	GPB USD	EUR USD	ZAR USD	Other USD	Total USD
Balance as at 31 December 2013						
Assets						
Monetary assets	375 992 384	2 060 114	2 219 729	7 212 846	539 900	388 024 973
Non-monetary assets	36 770 305	-	-	-	-	36 770 305
Total assets	**412 762 689**	**2 060 114**	**2 219 729**	**7 212 846**	**539 900**	**424 795 278**
Liabilities and equity						
Monetary liabilities	333 166 083	2 060 114	2 219 729	7 212 846	1 216 455	345 875 227
Non-monetary liabilities	78 920 051	-	-	-		78 920 051
Total liabilities and equity	**412 086 134**	**2 060 114**	**2 219 729**	**7 212 846**	**1 216 455**	**424 795 278**
Net exposure	**676 555**	**-**	**-**	**-**	**(676 555)**	

The above amounts are stated in United States dollar equivalent.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.4 Foreign exchange risk (continued)

The rates of exchange to the United States dollar used at as 31 December 2014 are as follows:

Currency	2014 Mid Rate Against USD	2013 Mid Rate Against USD
GBP	1.5559	1.6484
EUR	1.2153	1.3794
BWP	0.1052	0.1168
ZAR	0.0865	0.0959
CAD	1.1606	0.9394
AUD	0.8185	1.1189

28.4.4 Sensitivity of equity to the exchange rate

As at 31 December 2014, the Bank's net foreign currency position reflected a net liability position resulting in the expected impact on the statement of comprehensive income and capital as reported below, assuming a 5% depreciation in exchange rate:

Currency	Assets	Liabilities	Net exposure	Effects of a 5% Increase in exchange rate	Effects of a 5% decrease in exchange rate
GBP	1 610 933	1 610 933	-	-	-
EUR	1 952 585	1 952 585	-	-	-
ZAR	11 869 753	11 869 753	-	-	-
BWP	336 423	336 423	-	-	-
Other	2 231	410 041	(407 810)	(20 391)	20 391

28.5 Interest rate risk

Interest rate risk refers to the changes in the net interest income of the Bank that could arise owing to adverse variations in interest rates. Combined with liquidity risk, it forms part of those financial risks that are managed by ALCO on the basis of quantitative results. These results stem from a set of tools and techniques used in Asset and Liability Management (ALM) to deal with sensitivity, volatility and extreme deviations of target variables, and ultimately reflect the overall risk profile. ALCO optimises the risk reward trade off through monthly reviews, assessing and optimally structuring the profile of the Bank's statement of financial position, developing and implementing strategies that will adhere to the risk profile requirements, and effectively utilising capital.

Gap analysis is used to determine the exposure and to simulate techniques to determine the sensitivity to interest rate changes.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.5.1 Interest rate repricing gap analysis as at 31 December 2014

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-interest bearing USD	Total USD
Assets						
Cash and cash equivalents	-	-	-	-	132 387 124	132 387 124
Financial assets available for sale	-	2 167 927	13 994 412	-	-	16 162 339
Loans and advances to customers	56 705 385	30 272 471	9 699 800	103 329 816	-	200 007 472
Balances due from the Central Bank	-	-	-	17 183 976	-	17 183 976
Other assets	-	-	-	-	5 864 679	5 864 679
Investment property	-	-	-	-	6 230 000	6 230 000
Property and equipment	-	-	-	-	29 897 096	29 897 096
	56 705 385	**32 440 398**	**23 694 212**	**120 513 792**	**174 378 899**	**407 732 686**
Liabilities and equity						
Shareholders' funds	-	-	-	-	72 244 861	72 244 861
Deposits from customers	287 267 092	1 052 017	-	-	-	288 319 109
Deposits from banks	-	-	-	-	5 492 141	5 492 141
Other liabilities	-	-	-	16 699 979	15 064 207	31 764 186
Provisions	-	-	-	-	7 075 092	7 075 092
Current tax liability	-	329 363	-	-	-	329 363
Deferred tax liability	-	-	-	-	2 507 934	2 507 934
	287 267 092	**1 381 380**	**-**	**16 699 979**	**102 384 235**	**407 732 686**
Interest rate repricing gap	**(230 561 707)**	**31 059 018**	**23 694 212**	**103 813 813**	**71 994 664**	
Cumulative gap	**(230 561 707)**	**(199 502 689)**	**(175 808 477)**	**(71 994 664)**	**-**	

28.5.2 Interest rate repricing gap analysis as at 31 December 2013

	Up to 1 month USD	1 month to 3 months USD	3 months to 1 year USD	Over 1 year USD	Non-interest bearing USD	Total USD
Assets						
Cash and cash equivalents	-	-	-	-	130 887 392	130 887 392
Financial assets available for sale	7 796 092	5 520 423	27 307 773	4 664 646	-	45 288 934
Loans and advances to customers	47 756 141	62 592 687	16 134 849	54 200 544	-	180 684 221
Current tax asset	-	-	-	-	571 696	571 696
Other assets	-	-	-	-	2 683 801	2 683 801
Restricted balances with the Central Bank	-	-	-	27 908 929	-	27 908 929
Investment property	-	-	-	-	6 260 000	6 260 000
Property and equipment	-	-	-	-	30 510 305	30 510 305
	55 552 233	**68 113 110**	**43 442 622**	**86 774 119**	**170 913 194**	**424 795 278**
Liabilities and equity						
Shareholders' funds	-	-	-	-	75 122 764	75 122 764
Deposits from customers	285 702 341	27 961 988	-	-	-	313 664 329
Deposits from banks	-	-	-	-	729 440	729 440
Other liabilities	-	-	-	11 829 071	15 114 481	26 943 552
Provisions	-	-	-	-	4 537 906	4 537 906
Deferred tax liability	-	-	-	-	3 797 287	3 797 287
	285 702 341	**27 961 988**	**-**	**11 829 071**	**99 301 878**	**424 795 278**
Interest rate repricing gap	**(230 150 108)**	**40 151 122**	**43 442 622**	**74 945 048**	**71 611 316**	
Cumulative gap	**(230 150 108)**	**(189 998 986)**	**(146 556 364)**	**(71 611 316)**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities. The Bank follows a philosophy of pro-actively managing operational risk optimising the risk-reward relationship and maintaining business continuity while preserving the life of and protecting all assets. Operational risk measurement is both quantitative and qualitative and the principle of self assessment is applied. Use is made of Management Information System reports and segregation of duties is built into the systems to ensure compliance with the operational procedures and to manage operational risks. Disaster recovery plans and contingency arrangements, particularly for the Information Technology Department, are in place.

28.7 Reputational risk

Reputational risk refers to the risk of damage to the Bank's image, which may affect its ability to retain and generate business. The Bank manages reputational risk by ensuring that business is conducted in accordance with the legal and regulatory requirements. In addition, the Bank's corporate governance structure conforms to international standards. The Bank also has systems in place to monitor customer service satisfaction levels as well as processes to resolve customer queries and complaints.

28.8 Legal and compliance risk

Legal and compliance risk is the risk that arises due to the Bank's failure to adhere to legal and regulatory obligations. The Bank manages this risk through dedicated Legal and Compliance units, and deliberations by its Country Operational Risk Committee. The Board Risk Committee also monitors this risk.

28.9 Strategic risk

Strategic risk refers to the potential for opportunity loss arising from failure to optimise the earnings potential of the Bank. The Board approves the Bank's strategy as formulated by top management, while the Chief Executive Officer has the overall responsibility of strategy implementation. The Board conducts a quarterly review of the strategy's performance and its continued applicability.

28.10 Capital risk

Capital risk refers to the risk of the Bank's own capital resources being adversely affected by unfavourable external developments.

The Bank's capital resources should therefore be adequate to absorb losses such as operating losses and capital losses on investments. So long as net losses can be fully offset against capital invested by the Bank's owners, the legal claims of depositors or other creditors are not compromised and the Bank can continue to function without interrupting its operations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Minimum capital requirements

The minimum capital requirement, as announced by the regulator, remain unchanged at US25 million for commercial banking institutions. However, compliance with the required minimum capital level of USD100 million has been moved forward from 30 June 2014 to 31 December 2020, with each institution expected to submit its plan and progress to the Reserve Bank of Zimbabwe on an annual basis.

The Bank is already compliant with the minimum capital requirement of USD25 million and plans to build its capital to USD100 million by 31 December 2020 through organic growth.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.10 Capital risk (continued)

Capital adequacy	2014 USD	2013 USD
Tier 1 capital		
Ordinary paid-up share capital	825 000	825 000
Share premium	20 625 000	20 625 000
Foreign currency translation reserve (limited to 75% of balance)	4 452 479	4 416 110
Retained earnings	35 711 145	38 637 540
Less capital allocated for market and operational risk	(15 052 177)	(12 881 630)
	46 561 447	**51 622 020**
Tier 2 capital		
Foreign currency translation reserve (limited to 25% of balance)	1 484 160	1 472 037
Revaluation reserve	9 147 077	9 147 077
General provisions (limited to 1.25% of risk weighted assets)	3 486 085	4 513 133
	14 117 322	**15 132 247**
Total Capital - Tier 1 and 2	**60 678 769**	**66 754 267**
Tier 3 capital		
Capital allocated for market and operational risk	15 052 177	12 881 630
Total capital base	**75 730 946**	**79 635 897**
Risk weighted assets	**278 886 835**	**361 050 613**
Tier 1 capital ratio	16.70%	14.30%
Tier 2 capital ratio	5.06%	4.19%
Tier 3 capital ratio	5.40%	3.57%
Capital adequacy	27.15%	22.06%

Borrowing powers

The Directors may exercise all the powers of the Bank to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue other securities whether outright or as security for any debt or liability obligation of the Bank or of any third party.

29 ASSETS UNDER CUSTODY

Assets under custody as at 31 December 2014 were USD249 789 677 (2013: USD200 556 882).

30 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting period, except for the matter reported under Note 27.4.1, there were no adjusting or non-adjusting events up to the date of authorisation of the financial statements.

31 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION

The latest on-site examination of the Bank was conducted as at 31 March 2014 and the Bank was given an overall rating of "2", which is a satisfactory rating using the CAMELS model. This rating was largely premised on the Bank's strong capital base and satisfactory earnings performance. The following table shows the rating by each of the six components of CAMELS:

CAMELS RATING

CAMELS component	Latest rating
Capital adequacy	1
Asset quality	3
Management	2
Earnings	2
Liquidity	1
Sensitivity to Market Risk	1
Composite rating	**2**

Key

1 Strong
2 Satisfactory
3 Fair
4 Weak
5 Critical

Summary Risk Matrix

The Bank's overall composite risk, based on the Risk Assessment System (RAS), was considered low and stable. The Bank's risk profile was summarised as below:

Type of risk	Level of inherent risk	Adequacy of risk management systems	Overall composite risk	Direction of overall composite risk
Credit	Moderate	Acceptable	Moderate	Stable
Liquidity	Low	Acceptable	Low	Stable
Interest rate	Low	Strong	Low	Stable
Foreign exchange	Low	Strong	Low	Stable
Strategic risk	Moderate	Strong	Moderate	Stable
Operational risk	Moderate	Strong	Moderate	Stable
Legal and compliance	Moderate	Strong	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	**Low**	**Strong**	**Low**	**Stable**

31 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION (continued)

Interpretation of the risk matrix

Level of inherent risk

Low -: reflects a lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with a low inherent risk would have little negative impact on the banking institution's overall financial condition.

Moderate -: could reasonably be expected to result in a loss that 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

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 are therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies and procedures.

Acceptable -: Management of risk is largely effective but lacking to some modest degree. While the bank might be having some minor risk management weaknesses, these have been recognised and are being addressed. Management information systems are generally adequate.

Strong -: means that there is evidence of effective management controls on all risks inherent across functional areas. The board and senior management are active participants in managing risk, setting appropriate policy frameworks, defining a bank's risk tolerance levels and ensuring that responsibilities and accountabilities are effectively communicated.

Overall composite risk

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

Moderate -: risk management system appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organization.

High -: risk management systems do not significantly mitigate the high inherent risk. Thus, the activity could potentially result in a financial loss that would have a significant impact on the bank's overall financial condition.

Direction of overall composite risk

Increasing -: based on the current information, risk is expected to increase in the next 12 months.

Decreasing -: based on the current information, risk is expected to decrease in the next 12 months.

Stable -: based on the current information, risk is expected to be stable in the next 12 months.

32 EXTERNAL CREDIT RATING

Rating agent	2014	2013	2012
Global Credit Rating company	AA-	AA-	AA-

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