Contents

Chairman's Statement

Operating Environment

The year 2015 proved to be yet another challenging one for Zimbabwean business. Industry productivity remained subdued due to persistent downside risks characterised by unreliable utilities supply, declining commodity prices and liquidity constraints. The El Nino induced weather patterns have negatively impacted agricultural output for the entire Southern Africa. This has resulted in the need to import staple foods in particular maize. Various initiatives have been taken in an effort to address the ease of doing business in a bid to attract Foreign Direct Investment.

For the banking sector, significant milestones were achieved over the year with key focus on stability and financial inclusion for the growing informal sector. Innovative monetary policy tools have been successfully implemented. These include introduction of Afreximbank Trade Debt-backed Securities ('AFTRADES'), a development which has helped resolve the gridlock in the inter-bank market. Other positive developments have been the launch of the Zimbabwe Asset Management Company ('ZAMCO') to address the banking sector's Non Performing Loans challenge, and the introduction of bond coins to address currency divisibility and mitigate exchange risk. The Zimbabwe dollar was demonetised in the third quarter of 2015, settling a long-drawn out pressure point. The front end management of Non Performing Loans through the introduction of the Credit Reference Bureau should help manage future credit risks.

As a responsible corporate citizen, Standard Chartered Bank Zimbabwe Limited ('the Bank') remains committed to working with all stakeholders for the development of the economy.

Financial Performance

The Bank reported a profit after tax of USD0.4 million for the 2015 financial year compared with USD6.6 million for the same period in 2014. Year-on-Year revenues remained flat due to the continuing economic headwinds and our deliberate strategy to focus on improving our control environment. As part of this initiative the Bank recorded a net loan impairment recovery of USD1.4 million compared with a net charge of USD1.6 million posted in 2014. This is a reflection of the positive engagements between the Bank and its customers which have enabled the latter to meet their debt obligations.

We pride ourselves on our continued efforts to provide competitive services through our successful cost management initiatives which have seen costs remaining flat year on year even after accounting for significant restructuring costs. We were also recognised for our high levels of tax compliance which makes us a significant contributor to the fiscus.

The Bank remains financially sound with capital levels significantly above the minimum regulatory requirements which gives the Bank confidence that it will meet the targeted capital of USD100 million by 31 December, 2020.

Sustainability

The Bank's sustainability approach to business ensures that it delivers value through its economic, environmental, governance and social contributions to the communities where it operates. The Bank's sustainability agenda focuses on three pillars as below:

- **Contributing to the real economy**

  The Bank has contributed significantly to Zimbabwe's key economic sectors such as agriculture, trade, commodities and Small to Medium Enterprises. The Bank continues to serve its clients through its Corporate and Institutional Banking, Commercial Banking and Retail Banking segments.

- **Leading as a responsible company**

  Standard Chartered Bank is the oldest financial institution in Zimbabwe. Despite the challenging operating environment, the Bank has remained fully committed to its business in the country and has continued to support and build its franchise.

- **Investing in communities**

  Our brand promise, **Here for good**, means sustainable and long term commitment to the people of Zimbabwe. The Bank continues to contribute significantly to social and developmental programmes in Zimbabwe both on its own and in partnership with other organisations. The Bank's objective is to encourage employees to commit their time and unique skills by helping the needy in society.

An investment of USD1 million over the next three years was unveiled under the "Seeing is Believing" programme in partnership with Christian Blind Mission ('CBM'). The programme aims to make eye-care services accessible to over 100,000 adults and children.

During 2015 the Bank launched a Financial Literacy campaign facilitated by its staff. The programme is targeted at youths aged between 12 and 20 years and will run for the foreseeable future. As part of giving back to the community, the Bank donated two buses, one to St. Giles Rehabilitation School and the other to Madziwa High School in Mt. Darwin. Mpisi Village community in Victoria Falls was also a recipient of a borehole. The Bank has remained a key member of the Zimbabwe Business Council on Wellness, which assists in the fight against HIV and AIDS by offering valuable leadership skills to advance the agenda of fighting the disease. In 2015, the Bank extended its HIV/AIDS awareness training to include tertiary institutions, imparting skills to over 500 peer educators under its Positive Living programme. Africa, Bindura and Midlands State universities were among the beneficiaries of this programme. The peer educator training initiative's target is to reach out to over 30,000 youths over two years.

Corporate Governance

The Bank remains committed to the maintenance of the highest standards of corporate governance across all its banking activities. A strong Risk Management Framework is in place to ensure adherence to internal processes and procedures as well as regulatory requirements. The framework is regularly reviewed to ensure alignment with dynamics in the operating environment. To enhance Board oversight, its sub-committees are chaired by Independent Non-Executive Directors and constituted by experienced individuals. The Bank continues to reinforce the expectations on good conduct from all staff and stakeholders in general to ensure accountability of individual actions.

During the year, the Board bid farewell to one of its Non-Executive Directors, Simbarashe Mabhena. The Bank appreciates his invaluable contribution during his tenor and wishes him well in his future endeavours.

Outlook

The Bank has undergone a considerable change since June 2015, with the ushering in of a new Group Chief Executive Officer, Bill Winters, followed by a phased reorganisation exercise. In December 2015, the Group marked a key milestone in the reorganisation journey through the rolling out of a refreshed strategy. The reorganisation exercise has been completed and all ground work has been set to operationalise the strategy effective 1 January, 2016.

Chairman's Statement (cont'd)

The focus on Asia, Africa and the Middle East remains the same. Our brand promise, Here for good, culture and values continue to be at the heart of the Bank.

The rejuvenated operational model is a positive step towards creating a lean and financially strong entity that will steer the Bank towards a better balanced business with growth in higher-returning retail and wealth segments complementing a returns-focused Corporate and Institutional Banking which leverages the Bank's unique footprint and network.

The changes in the Group have been mirrored locally and are set to position the Bank in delivering superior service to its clients. Clients will be indulged through the offering of standardised and world class products and services delivered through digitally focused platforms. The agile structures that have been created will improve the Bank's response time to customer needs and position it as the partner of choice in facilitating trade across its global footprint.

Acknowledgement

The collaboration of our staff, management and my fellow Directors is reflected in the accolades that the Bank continues to be awarded. These include:

- Investor of the Year, Banking Category 2015 - Zimbabwe Investment Authority;
- 3rd Position Best Bank in Zimbabwe 2015 - Banks and Banking Survey;
- Best Emerging Markets Bank 2015 - Global Finance; and
- 3rd Place Income Tax Compliant Contributors Category 2015 – Large Client Office.

To our valued clients who afford us the opportunity to look after their banking needs and cooperate with the Bank in various exercises that were initiated over the year aimed at enhancing the anti-financial crime compliance environment, we are thankful. The Bank also appreciates the continued support of all industry stakeholders and remains indebted to them.

S V Rushwaya

CHAIRMAN
24 March, 2016

Directors

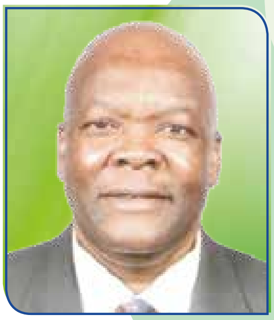
S. V. Rushwaya
Chairman

J. Pohl
Non Executive Director

L. T. Manatsa
Non Executive Director

I. J. Mackenzie
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 2015

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 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 DIRECTORS' RESPONSIBILITY

The Directors are also responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

4 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***

* Executive
** Non-Executive
*** Independent Non-Executive

5 CORPORATE GOVERNANCE

The Board

The Board, which comprises three Executive Directors, one Non-Executive Director 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 of Zimbabwe ('RBZ') regulations and other regulatory requirements, as well as policies and procedures of Standard Chartered Bank Zimbabwe Limited.

5 CORPORATE GOVERNANCE (cont'd)

Directors' attendance at Board meetings

Director	Date of meeting			
	19-Mar-15	4-Jun-15	10-Sep-15	26-Nov-15
S. V. Rushwaya*	√	√	√	√
R. Watungwa	√	√	√	√
I. J. Mackenzie	√	√	√	√
C. Mwerenga	√	√	√	√
S. M. Mushiri	√	√	√	√
S. Nhakaniso	√	√	√	√
L. T. Manatsa	√	x	√	√
J. Pohl	√	x	√	√
S. Mabhena**	√	√	√	x

Key: √ Present x Absent
* Chairman

** Resigned with effect from 26 November 2015
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 2015	Minimum number of meetings to be held in a year
I. J. Mackenzie*	4	4	4
L. T. Manatsa	4		
S. M. Mushiri	3		

* Chairman

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 2015	Minimum number of meetings to be held in a year
S. V. Rushwaya*	4	4	4
R. Watungwa	4		
S. Mabhena**	3		
J. Pohl	3		

* Chairman
** Resigned with effect from 26 November 2015

5 CORPORATE GOVERNANCE (cont'd)

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 2015	Minimum number of meetings to be held in a year
I. J. Mackenzie*	4		
C. Mwerenga	4	4	4
S. V. Rushwaya	4		

* Chairman

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 2015	Minimum number of meetings to be held in a year
L. T. Manatsa*	4		
R. Watungwa	4	4	4
S. M. Mushiri	4		

* Chairman

6 STATEMENT OF COMPLIANCE

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.

7 GOING CONCERN

The Directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

8 APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements were approved at a Board meeting held on 24 March, 2016.

By order of the Board

C. Kamba
Company Secretary

24 March, 2016

Independent Auditors' Report

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6, Harare
Zimbabwe

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+263 (4) 302600
Fax: +263 (4) 303699

To the shareholders of Standard Chartered Bank Zimbabwe Limited

We have audited the financial statements of Standard Chartered Bank Zimbabwe Limited ('the Bank'), which comprise the statement of financial position as at 31 December, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and 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, as set out on pages 10 to 67.

Directors' Responsibility for the Financial Statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03), the Banking Act (Chapter 24:20), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 control 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, these financial statements present fairly, in all material respects, the financial position of Standard Chartered Bank Zimbabwe Limited as at 31 December, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03) and the Banking Act (Chapter 24:20).

KPMG

KPMG Chartered Accountants (Zimbabwe)
Harare
24 March, 2016

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 USD	2014 Restated* USD
Interest income	6	24 931 345	25 887 692
Interest expense	7	(1 012 635)	(1 598 397)
Net interest income		**23 918 710**	**24 289 295**
Fees and commission income	8.1	40 157 515	44 439 910
Commission expense	8.2	(5 288 886)	(6 451 908)
Foreign currency trading income	8.3	3 607 400	4 407 412
Other income	8.4	758 319	493 998
Net fee and commission income		**39 234 348**	**42 889 412**
Total revenue		**63 153 058**	**67 178 707**
Operating expenses	9	(55 433 572)	(55 268 134)
Profit before impairment recovery/(charge)		**7 719 486**	**11 910 573**
Bad debts written off		(1 016 266)	(906 615)
Loan impairment recovery/(charge)	15.3	2 434 077	(717 198)
Net impairment recovery/(charge)		**1 417 811**	**(1 623 813)**
Profit before tax		**9 137 297**	**10 286 760**
Tax expense	10.1	(8 734 385)	(3 715 426)
Profit after tax		**402 912**	**6 571 334**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurements of the defined benefit liability		(1 751 001)	-
Gains on property revaluation		1 258 440	-
Tax relating to components of comprehensive income		345 125	-
Other comprehensive income, net of tax		**(147 436)**	**-**
Total comprehensive income for the year		**255 476**	**6 571 334**
Basic and diluted earnings per share (USD)	12	**0.49**	**7.97**

* Note 27 has an explanation for the restatement

Statement of Financial Position

at 31 December 2015

	Notes	2015 USD	2014 Restated* USD	2013 Restated* USD
ASSETS				
Cash and cash equivalents	13	127 819 841	132 387 124	130 887 392
Financial assets available for sale	14	51 955 129	16 162 339	45 288 934
Loans and advances to customers	15.1	163 302 083	200 007 472	180 684 221
Current tax asset		-	-	571 696
Non-current assets held for sale	19.2	295 000	-	-
Other assets	16	3 868 583	5 864 679	2 683 801
Restricted balances with the Central Bank	17	245 000	17 183 976	27 908 929
Investment property	18	6 050 000	6 230 000	6 260 000
Property and equipment	19.1	29 780 764	29 897 096	30 510 305
Total assets		**383 316 400**	**407 732 686**	**424 795 278**
EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	11.2	825 000	825 000	825 000
Share premium	11.3	20 625 000	20 625 000	20 625 000
Foreign currency translation reserve	11.3	5 936 639	5 936 639	5 888 147
Revaluation reserve	11.6	10 299 759	9 147 077	9 147 077
Retained earnings	11.4	28 087 656	33 684 862	36 747 877
Total equity		**65 774 054**	**70 218 578**	**73 233 101**
Liabilities				
Deposits from customers	20.1	291 302 230	288 319 109	313 664 329
Deposits from banks	21	309 343	5 492 141	729 440
Other liabilities	22	24 209 475	41 568 279	34 026 458
Current tax liability	10.5	1 357 745	329 363	-
Deferred tax liability	10.3	363 553	1 805 216	3 141 950
Total liabilities		**317 542 346**	**337 514 108**	**351 562 177**
Total equity and liabilities		**383 316 400**	**407 732 686**	**424 795 278**

S. V. Rushwaya
Chairman
24 March, 2016

R. Watungwa
Chief Executive Officer
24 March, 2016

C. Mwerenga
Chief Financial Officer
24 March, 2016

C. Kamba
Company Secretary
24 March, 2016

* Note 27 has an explanation for the restatement

Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital USD	Share premium USD	Foreign currency translation reserve USD	Revaluation reserve USD	Retained earnings USD	Total USD
Restated balance at 1 January 2015	**825 000**	**20 625 000**	**5 936 639**	**9 147 077**	**33 684 862**	**70 218 578**
Profit for the year	-	-	-	-	402 912	402 912
Other comprehensive income	-	-	-	1 152 682	(1 300 118)	(147 436)
Dividend paid	-	-	-	-	(4 700 000)	(4 700 000)
Balance at 31 December 2015	**825 000**	**20 625 000**	**5 936 639**	**10 299 759**	**28 087 656**	**65 774 054**
Balance at 1 January 2014 as previously reported	**825 000**	**20 625 000**	**5 888 147**	**9 147 077**	**38 637 540**	**75 122 764**
Impact of prior years' financial statements restatement*	-	-	-	-	(1 889 663)	(1 889 663)
Restated balances at 1 January 2014	**825 000**	**20 625 000**	**5 888 147**	**9 147 077**	**36 747 877**	**73 233 101**
Restated profit for the year	-	-	-	-	6 571 334	6 571 334
Restatement of asset	-	-	60 000	-	-	60 000
Deferred tax on restatement	-	-	(11 508)	-	-	(11 508)
Dividend paid	-	-	-	-	(9 634 349)	(9 634 349)
Restated balance at 31 December 2014	**825 000**	**20 625 000**	**5 936 639**	**9 147 077**	**33 684 862**	**70 218 578**

* Note 27 has an explanation for the restatement

Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 USD	2014 USD
Cash flow from operating activities			
Profit before tax		9 137 297	10 286 760
Adjustments for:			
Fair value loss on investment property	18	180 000	216 600
Profit on disposal of property and equipment		(130 004)	(107 970)
Depreciation	19.1	1 649 038	1 901 213
Net loan impairment (recovery)/charge		(1 417 811)	1 623 813
Other non cash items		(50 000)	-
Operating cash flow before changes in operating assets and liabilities		**9 368 520**	**13 920 416**
Changes in operating assets and liabilities:			
(Increase)/decrease in financial assets available for sale		(35 792 790)	29 126 595
Decrease/(increase) in gross loans and advances to customers		38 123 200	(20 947 064)
Increase in other assets		(1 604 662)	(2 791 386)
Decrease in restricted balances with the Central Bank		16 938 976	10 724 953
Increase/(decrease) in deposits from customers		2 983 121	(25 345 220)
(Decrease)/increase in deposits from banks		(5 182 798)	4 762 701
(Decrease)/increase in other liabilities		(19 109 804)	7 541 820
		5 723 763	**16 992 815**
Tax paid	10.5	(4 739 959)	(4 522 100)
Net cash generated from operating activities		**983 804**	**12 470 715**
Cash flow from investing activities			
Proceeds from disposal of property and equipment		77 644	166 330
Improvements to property and equipment	19.1	(928 731)	(1 316 364)
Improvements to investment properties	18	-	(186 600)
Net cash utilised in investing activities		**(851 087)**	**(1 336 634)**
Cash flow from financing activities			
Dividend paid		(4 700 000)	(9 634 349)
Net cash utilised in financing activities		**(4 700 000)**	**(9 634 349)**
Net increase in cash and cash equivalents		**(4 567 283)**	**1 499 732**
Cash and cash equivalents at beginning of the year		132 387 124	130 887 392
Cash and cash equivalents at the end of the year	**13**	**127 819 841**	**132 387 124**

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 First Floor, Africa Unity Square Building, Cnr. Nelson Mandela Avenue/Sam Nujoma Avenue, Harare. The Bank provides retail and corporate banking as well as custody 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), the Companies Act (Chapter 24:03) and in conformity with International Financial Reporting Standards ('IFRS').

Furthermore, the Bank complied with the following statutes inter alia: - the Banking Regulations, Statutory Instrument 205 of 2000, the Exchange Control Act (Chapter 22:05), the Bank Use Promotion (Chapter 24:24), Money Laundering and Proceeds of Crime Act (Chapter 9:24) and the National Payments Systems Act (Chapter 24:23).

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

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property, financial assets available for sale, property and equipment and non-current assets held for sale whose values have been stated at fair value.

3.3 Assumptions and estimation uncertainties

In the application of the Bank's accounting policies, which are described in Note 4, the Directors have made, estimates and assumptions that affect the application of the Bank's accounting policies and reported amounts of assets, liabilities, income and expenses. 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 assumptions and estimates are made in relation to the following:

Fair value 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 or loss. The Bank, engaged an independent valuation specialist to determine fair value of investment property, at 31 December 2015. In addition, the Bank measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Notes 18 and 19.

3 BASIS OF PREPARATION (continued)

3.3 Assumptions and estimation uncertainties (continued)

Long term employee benefits

Long term employee benefits comprise of the Bank's defined benefit and long service awards obligations. The cost of the long term employee benefits and the present value of the obligations 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 long term employee obligations are provided in Note 23.

Fair value of financial assets available for sale

The fair values of financial assets available for sale 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 of financial assets measured at amortised cost

The Bank reviews its individually significant financial assets at each reporting date to assess whether an impairment loss should be recorded in profit or 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 for impairment losses.

Financial assets that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant financial assets in groups of assets with similar risk characteristics. This is to determine whether impairment 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 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.

3.4 Judgements

Information about significant judgement made in applying the accounting policy in respect of restricted balances with the Central Bank and accrued interest on customers' foreign currency account (FCA) balances held at the Central Bank is included in notes 17 and 22 respectively. Significant judgment was made in determining whether or not the balances should be de-recognised in the current financial year. These amounts have been derecognised in the current financial year following the passing into law of the Reserve Bank of Zimbabwe Debt Assumption Act.

3 BASIS OF PREPARATION (continued)

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

Category as defined by IAS 39	Description IFRS 7.8	Classes as shown on statement of financial position
Financial assets	Loans and receivables	• Loans and advances to customers • Other assets • Cash and Cash equivalents • Restricted balances due from the Central Bank
	Available for sale financial assets	• Financial assets available for sale
Financial liabilities	Other financial liabilities measured 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

All financial assets not recorded through profit or 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 or loss;
- Loans and receivables; and
- Available for sale financial assets.

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

Loans and receivables

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 method, less subsequent 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 effective interest rate ('EIR'). The effective interest ('EI') amortisation is included in interest income in profit or loss. The losses arising on impairment are recognised in profit or loss, net of impairment charges. For more information on loans and receivables, refer to Notes 13, 15, 16 and 17.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.1 Financial assets (continued)

Available for sale assets

The Bank's available for sale financial assets comprise of debt securities. Debt securities in this category are those that are intended to be held for a defined 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 or loss, or the investment is determined to be impaired when the cumulative loss is reclassified from the available for sale reserve to profit or loss. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest method and is recognised in profit or loss.

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 or 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 or loss.

Refer to Note 14 for more details 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.1 Financial assets (continued)

Impairment of financial assets

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

- Disclosure for significant assumptions and estimation uncertainities (Note 3.3);
- Disclosure for significant judgements (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 or 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 or 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), Banking Regulations, Statutory Instrument 205 of 2000 and IFRS. Specific impairment allowance 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 or 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 or 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

4.1.2.1 Financial assets (continued)

Impairment on loans and advances to customers (continued)

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.

Impairment of 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 or 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 or loss, the impairment loss is reversed through profit or loss.

4.1.2.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities measured at amortised cost, net of directly attributable transaction costs.

Subsequent measurement

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

Other financial liabilities

After initial recognition, other financial liabilities are measured at amortised cost. Gains and losses are recognised in profit or 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, 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 or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.2 Initial recognition and subsequent measurement (continued)

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 currently a legally enforceable 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 and liabilities that are measured at fair value are summarised in the following notes:

- Use of significant estimates and assumptions - Note 3.4;
- Fair value of financial instruments - Note 29;
- 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is probable that economic benefits will flow to the entity from the expenditure. All other expenditure is recognised in profit or 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 or loss, in which case the increase is credited to profit or 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 or 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 or 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	2.50%
Premises fixed equipment	10.00%
Motor vehicles	33.33%
Computer equipment	20.00%
Office equipment	33.33%
Furniture, fixtures and fittings	33.33%

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Property and equipment (continued)

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 or 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 or 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 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 or loss when the asset is derecognised.

4.3 Investment property

Investment properties are properties held to earn rentals or 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 or loss in the reporting period in which they arise. Rental income from investment property is accounted in profit or 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 or 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 or 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Employee benefits (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

Past service costs are recognised in profit or 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 or 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

Interest income and expense are recognised in profit or loss on accrual, taking into account the effective yield of the financial asset or an applicable floating rate using the effective interest 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 using the effective interest method.

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 or 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 or loss over the commitment period on a straight line basis.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Revenue (continued)

Foreign currency trading income

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

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 or loss. Non monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

4.7 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 or 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.

4.8 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 or other comprehensive income is also recognised in equity or other comprehensive income respectively.

Deferred tax

Deferred tax is provided using the statement of financial position 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 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 or 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 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 25.

4.10 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 profit or loss and other comprehensive income and financial position, as they are not assets of the Bank but are disclosed in the notes to the financial statements as shown in Note 30.

5 STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Bank has not applied the following new or amended standards in preparing these financial statements:

New standard	Effective date	Summary of the requirements	Possible impact on financial statements
IFRS 9 Financial Instruments	1 January 2018	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.	The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 15.
IFRS 16 Leases	1 January 2019	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.	The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

5 STANDARDS ISSUED BUT NOT YET ADOPTED

The following new or amended standards are not expected to have a significant impact on the Bank's financial statements:

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

		2015 USD	2014 USD
6	**INTEREST INCOME**		
	Loans and advances to banks	61 803	65 737
	Loans and advances to customers	21 948 131	24 135 179
	Bonds, bills and acceptances	2 921 411	1 686 776
		24 931 345	**25 887 692**
7	**INTEREST EXPENSE**		
	Savings deposits	690 622	420 513
	Time deposits	322 013	1 172 351
	Total deposits by customers	**1 012 635**	**1 592 864**
	Deposits by banks	-	5 533
		1 012 635	**1 598 397**
8	**NON-INTEREST INCOME**		
8.1	**FEE AND COMMISSION INCOME**		
	Account service fees and charges	7 115 917	7 472 517
	Lending fees	6 158 954	8 550 713
	Transaction related commissions	26 070 355	20 483 340
	Other fees and commissions	812 289	7 933 340
		40 157 515	**44 439 910**
8.2	**COMMISSION EXPENSE**		
	Card transactions	2 462 180	3 451 175
	Cash repatriation	817 935	981 340
	RTGS	674 827	325 198
	Deposit protection insurance	614 408	596 585
	Nostro bank charges	354 399	555 595
	Paynet charges	346 520	385 818
	Other	18 617	156 197
		5 288 886	**6 451 908**
8.3	**FOREIGN CURRENCY TRADING INCOME**		
	Dealing income	3 607 400	4 407 412
8.4	**Other income**		
	Fair value loss on investment property	(180 000)	(216 600)
	Rental income from investment property	630 225	560 314
	Profit on sale of property and equipment	130 004	107 970
	Other miscellaneous income	178 090	42 314
		758 319	**493 998**

		2015 USD	2014 Restated* USD
9	**OPERATING EXPENSES**		
	Audit fees	136 279	120 941
	Depreciation	1 649 038	1 901 213
	Staff costs (Note 9.1)	24 579 271	32 908 002
	Directors' emoluments (Note 9.2)	925 049	710 664
	Group cross border recharges	14 005 380	8 808 410
	Premises and equipment costs	4 859 970	5 569 274
	VAT on imported services	4 067 784	1 621 559
	Communication costs	1 003 012	1 059 043
	Other	4 207 789	2 569 028
		55 433 572	**55 268 134**
9.1	**Staff costs**		
	Salaries and allowances	16 443 092	18 007 126
	Bonuses	3 303 103	3 535 583
	Compulsory social security contributions	365 555	421 074
	Defined contribution pension expense	1 988 921	1 878 037
	Defined benefit pension (credit)/expense	(289 000)	184 253
	Staff separation costs	454 844	5 793 960
	Medical expenses	1 357 737	1 478 120
	Other costs*	955 019	1 609 849
		24 579 271	**32 908 002**

*Included in other staff costs is an amount USD33 000 (2014: 184 000) in respect of the long service awards. This amount has been restated in the prior years. (refer to note 27 for more details).

The average number of employees during 2015 was 652 (2014: 726).

		2015 USD	2014 Restated* USD
9.2	**Directors' emoluments**		
	Fees for services as Directors	87 900	54 000
	Pension	69 180	56 048
	Salaries	647 376	523 405
	Other emoluments	120 593	77 211
		925 049	**710 664**

* Note 27 has an explanation for the restatement

	2015 USD	2014 USD
10. TAX EXPENSE		
10.1 Analysis of tax charge		
Charge for taxation based on taxable income for the year	4 479 838	4 718 387
Provision for aids levy	134 395	141 552
	4 614 233	4 859 939
Capital gains tax	24 500	-
Prior year tax adjustment (10.1.1)	5 192 190	203 729
Deferred tax credit	(1 096 538)	(1 348 242)
	8 734 385	**3 715 426**

The income tax rate applicable to the Bank's 2015 taxable income is 25.75% (2014: 25.75%).

10.1.1 Prior year tax adjustment

Prior year tax adjustment include an additional tax expense of USD4,062,583 arising from an assessment carried out by the Zimbabwe Revenue Authority in 2012. The Bank has disputed the liability and the matter is currently with the courts.

	2015 USD	2014 USD
10.2 Reconciliation of tax charge		
Notional tax charge based on profit for the year	2 352 854	2 648 841
Additional tax charge/(savings) resulting from:		
Prior year under provision of taxes	5 192 190	203 729
Non deductible expenses	1 127 491	862 856
Capital gains tax	24 500	-
Income taxed at different rates	37 350	-
Total tax charge	**8 734 385**	**3 715 426**

10.3 Deferred tax liability

The deferred tax liability is attributable to the following:

	2015 USD	2014 USD
Property and equipment and non-current assets held for sale	5 982 900	6 124 416
Investment property	302 500	311 500
Loan impairment allowance	(1 866 728)	(2 493 503)
Foreign exchange revaluation gains	(2 535)	2 724
Deferred income	(34 134)	(48 668)
Suspended income	(1 055 683)	(1 060 548)
Long service awards	(711 215)	(702 718)
Pension liability	(414 318)	-
Provisions	(1 855 813)	(361 787)
Prepaid expenses	18 579	33 800
Balance at 31 December	**363 553**	**1 805 216**

	2015 USD	2014 USD
10.4 Deferred tax movement during the year		
Balance at 1 January	1 805 216	3 141 950
Recognised in profit or loss	(1 096 538)	(1 348 242)
Recognised in Other Comprehensive Income:		
- Tax effect on reinstatement of property	-	11 508
- Re-measurements of defined benefit liability	(450 883)	-
- Gains on property revaluation	105 758	-
Balance at 31 December	**363 553**	**1 805 216**
10.5 Current tax liability/(asset) movement during the year		
Balance at 1 January	329 363	(571 696)
Current tax expense for the year	4 638 733	4 859 939
Payment made during the year	(4 739 959)	(4 522 100)
Prior year under provision	1 129 608	203 729
Settled against ZIMRA claim	-	359 491
Balance at 31 December	**1 357 745**	**329 363**

11. CAPITAL AND RESERVES

11.1 Authorised share capital

	2015 USD	2014 USD
1 000 000 ordinary shares of USD1 each	1 000 000	1 000 000

11.2 Issued share capital

	2015 USD	2014 USD
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.

11.3 Capital reserves

	2015 USD	2014 USD
Share premium	20 625 000	20 625 000
Foreign currency translation reserve (Note 11.5)	5 936 639	5 936 639
	26 561 639	**26 561 639**

	2015 USD	2014 Restated* USD
11.4 Retained earnings		
Retained earnings	28 087 656	33 684 862

11.5 Foreign currency translation reserve

The reserves arose from the change in functional currency exercise carried out 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.

* Note 27 has an explanation for the restatement

11. CAPITAL AND RESERVES (continued)

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 or 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 at the reporting date and as a result basic earnings per share and diluted earnings per share are the same.

	2015	2014
Profit attributable to shareholders of the Bank (USD)	402 912	6 571 334
Weighted average number of ordinary shares	825 000	825 000
Basic and diluted earnings per share (USD)	**0.49**	**7.97**

	2015 USD	2014 USD
13 CASH AND CASH EQUIVALENTS		
Cash and balances with banks	50 558 801	63 218 277
Unrestricted balances with the Central Bank	77 261 040	69 076 388
Money market placements	-	92 459
Total cash and cash equivalents	**127 819 841**	**132 387 124**
14 FINANCIAL ASSETS AVAILABLE FOR SALE		
Debt and other fixed-income instruments		
Bonds and notes issued by the Government	48 513 871	11 497 693
Money market instruments issued by others	3 441 258	4 664 646
	51 955 129	**16 162 339**
Maturities		
More than 5 years	1 927 772	-
5 years or less but over 1 year	35 953 078	-
1 year or less but over 3 months	9 408 746	13 994 412
3 months or less including payable on demand	4 665 533	2 167 927
	51 955 129	**16 162 339**

	2015 USD	2014 USD
15 LOANS AND ADVANCES TO CUSTOMERS		
15.1 Loans and advances		
Loans and advances to customers	174 651 255	213 809 611
Less:		
- Specific and portfolio impairment allowance (Note 15.3)	(7 249 430)	(9 683 507)
- Interest in suspense (Note 15.4)	(4 099 742)	(4 118 632)
	163 302 083	**200 007 472**
Maturities		
With a residual maturity of:		
- 3 months or less	56 752 091	92 980 035
- Between 3 months and 1 year	38 436 751	10 369 165
- Between 1 and 5 years	79 462 413	110 460 411
	174 651 255	**213 809 611**
Less:		
- Specific and portfolio impairment provision (Note 15.3)	(7 249 430)	(9 683 507)
- Interest in suspense (Note 15.4)	(4 099 742)	(4 118 632)
	163 302 083	**200 007 472**

15.2 Sectoral analysis of utilisations

	2015 USD	2015 %	2014 USD	2014 %
Agriculture and horticulture	32 029 976	18%	26 031 619	12%
Construction and property	1 337 943	1%	2 948 387	1%
Commerce	34 221 737	20%	48 683 106	23%
Mining	6 000 000	3%	-	0%
Manufacturing	52 610 143	30%	78 502 402	37%
Transport and communications	2 312 813	1%	2 429 153	1%
Individuals	44 626 921	26%	53 380 716	25%
Other	1 511 722	1%	1 834 228	1%
	174 651 255	**100%**	**213 809 611**	**100%**

The Bank's concentrations of risk are managed by client/ counterparty, geographical region and industry sector. The above loans and advances are secured by various collateral, refer to note 28.2 for details.

15 LOANS AND ADVANCES TO CUSTOMERS (continued)

15.3 Impairment allowance on loans and advances

	2015			2014		
	Specific USD	Portfolio USD	Total USD	Specific USD	Portfolio USD	Total USD
Balance at 1 January	5 406 810	4 276 697	9 683 507	504 780	8 461 529	8 966 309
Current year	2 448 769	2 733 753	5 182 522	6 087 314	-	6 087 314
Reversed	(4 667 282)	(2 949 317)	(7 616 599)	(1 185 284)	(4 184 832)	(5 370 116)
Loan impairment (recovery)/charge	**(2 218 513)**	**(215 564)**	**(2 434 077)**	**4 902 030**	**(4 184 832)**	**717 198**
Balance at 31 December	**3 188 297**	**4 061 133**	**7 249 430**	**5 406 810**	**4 276 697**	**9 683 507**

15.4 Non-performing loans and advances to customers

	2015 USD	2014 USD
Total loans and advances on which interest is suspended	9 988 021	13 356 645
Interest in suspense	(4 099 742)	(4 118 632)
Specific impairment allowance	(3 188 297)	(5 083 351)
Net non-performing loans	**2 699 982**	**4 154 662**

15.4.1 Ageing of non-performing loans at 31 December

	2015		2014	
	USD Gross	USD Net	USD Gross	USD Net
Past due up to 30 days	-	-	3 462 927	1 273 782
Past due up to 60 days	-	-	913 713	871 858
Past due up to 90 days	-	-	502 042	183 769
Past due up to 180 days	991 950	507 463	5 661 405	483 958
Past due up to 365 days	2 630 161	607 811	81 394	80 564
Over 1 year	6 365 910	1 584 708	2 735 164	1 260 731
Balance at 31 December	**9 988 021**	**2 699 982**	**13 356 645**	**4 154 662**

		Note	2015 USD	2014 USD
16	**OTHER ASSETS**			
	Accrued interest receivable		447 765	726 588
	Amounts due from other SCB subsidiaries		350 638	269 533
	Prepaid Tax expense (10.1.1)		-	4 062 583
	Other prepaid expenses		1 133 551	190 797
	Other		1 936 629	615 178
			3 868 583	**5 864 679**
17	**RESTRICTED BALANCES WITH THE CENTRAL BANK**			
	Customers' foreign currency account balances	17.1	-	16 938 576
	Customers' refundable FOLIWARS deposits		245 000	245 400
			245 000	**17 183 976**

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 were not available for use in the Bank's day to day operations.

In 2015, the Reserve Bank of Zimbabwe Debt Assumption Act was signed into law and it allowed the Government to assume the Central Bank's debt. The takeover of the debt by Government and the immunity provided to banks in the Act extinguished the Bank's obligations related to these customer funds. The remaining amount not covered by the Treasury bills issued by the Government to cover principal relates to the interest component which has been derecognised together with the corresponding claims from the FCA customers (refer to Note 22 under Other liabilities) from the Statement of Financial Position in 2015.

The Bank's role in relation to these balances is solely of an administrative nature and is reported accordingly (refer to Note 30.2).

		2015 USD	2014 USD
18	**INVESTMENT PROPERTY**		
	Balance at 1 January	6 230 000	6 260 000
	Improvements	-	186 600
	Fair value loss	(180 000)	(216 600)
	Balance at 31 December	**6 050 000**	**6 230 000**

The Bank's entire investment property portfolio 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

	2015 USD	2014 USD
Rental income derived from investment property	630 225	560 314
Direct operating expenses (including repairs and maintenance) generating rental income	(52 247)	(56 489)
Net rental income	**577 978**	**503 825**

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

Reconciliation of fair value:

	Office USD	Retail USD	Residential USD	Total USD
Balance at 1 January 2014	3 100 000	2 470 000	690 000	6 260 000
Fair value recognised in profit or loss	(186 600)	(30 000)	-	(216 600)
Improvements to investment property	186 600	-	-	186 600
Balance at 31 December 2014	**3 100 000**	**2 440 000**	**690 000**	**6 230 000**
Fair value recognised in profit or loss	(100 000)	(80 000)	-	(180 000)
Balance at 31 December 2015	**3 000 000**	**2 360 000**	**690 000**	**6 050 000**

Valuation process

The fair value of the Bank's investment property at 31 December, 2015 and 31 December, 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Integrated Properties and Dawn Property Consultancy respectively, independent valuers not related to the Bank. Both valuers are members of the Real Estate 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.

The fair value measurement for all the properties has been categorised as a level 3 fair value based on the inputs of the valuation technique used.

18 INVESTMENT PROPERTY (continued)

Valuation techniques

Discounted cash flows:

- The discounted cash flows method was applied on all income producing properties. The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate;
- The expected net cash flows are discounted using market related risk-adjusted discount rates; and
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs secondary), tenant credit quality and lease terms.

Direct comparison:

- The direct comparison method was applied on all residential properties, after identification of various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent ('MSE') principle. The total MSE of comparable areas was then used to determine the value per square metre of MSE.

Significant unobservable inputs

- Risk adjusted discount rates (7%-13%, weighted average 7%).
- Average rentals per square metre – USD7 to USD25.

Inter relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower); and
- The risk adjusted discount rates were lower (higher).

19. PROPERTY AND EQUIPMENT AND NON-CURRENT ASSETS HELD FOR SALE

19.1 PROPERTY AND EQUIPMENT

Movement for the year ended 31 December 2015

	Premises USD	Furniture and fittings USD	Motor vehicles USD	Computer equipment USD	Office equipment USD	Total USD
Cost/Valuation						
Balance at 1 January 2015	29 402 651	335 514	2 522 830	1 712 121	1 005 258	34 978 374
Improvements and purchases	151 177	79 619	515 975	76 004	105 956	928 731
Disposals	(443 841)	-	(107 117)	-	-	(550 958)
Restatement of asset *	50 000	-	-	-	-	50 000
Transfer to non-current assets held for sale	(295 000)	-	-	-	-	(295 000)
Revaluation	1 258 440	-	-	-	-	1 258 440
Depreciation eliminated on revaluation	(1 760 895)	-	-	-	-	(1 760 895)
Balance at 31 December 2015	**28 362 532**	**415 133**	**2 931 688**	**1 788 125**	**1 111 214**	**34 608 692**
Depreciation						
Balance at 1 January 2015	1 193 529	245 286	1 747 572	1 513 766	381 125	5 081 278
Charge for the year	613 644	101 228	555 340	158 002	220 824	1 649 038
Disposals	(46 278)	-	(95 215)	-	-	(141 493)
Eliminated on revaluation	(1 760 895)	-	-	-	-	(1 760 895)
Balance at 31 December 2015	**-**	**346 514**	**2 207 697**	**1 671 768**	**601 949**	**4 827 928**
Carrying amount at 31 December 2015	**28 362 532**	**68 619**	**723 991**	**116 357**	**509 265**	**29 780 764**

* The USD50 000 reinstatement of an asset relates to a Bulawayo residential property that had been omitted from the asset register upon the change of reporting currency in 2009.

19 PROPERTY AND EQUIPMENT AND NON-CURRENT ASSETS HELD FOR SALE (continued)

19.1 PROPERTY AND EQUIPMENT

Movement for the year ended 31 December 2014

	Premises USD	Furniture and fittings USD	Motor vehicles USD	Computer equipment USD	Office equipment USD	Total USD
Cost/Valuation						
Balance at 1 January 2014	28 905 684	335 514	2 716 486	1664 664	733 036	34 355 384
Improvements and purchases	436 967	-	559 718	47 457	272 222	1 316 364
Disposals	-	-	(753 374)	-	-	(753 374)
Restatement of asset	60 000	-	-	-	-	60 000
Balance at 31 December 2014	**29 402 651**	**335 514**	**2 522 830**	**1 712 121**	**1 005 258**	**34 978 374**
Depreciation						
Balance at 1 January 2014	577 203	134 773	1 769 258	1 151 966	211 879	3 845 079
Charge for the year	616 326	110 513	643 328	361 800	169 246	1 901 213
Disposals	-	-	(665 014)	-	-	(665 014)
Balance at 31 December 2014	**1 193 529**	**245 286**	**1 747 572**	**1 513 766**	**381 125**	**5 081 278**
Carrying amount at 31 December 2014	**28 209 122**	**90 228**	**775 258**	**198 355**	**624 133**	**29 897 096**

19.2 NON-CURRENT ASSETS HELD FOR SALE

A decision was taken to dispose the Bank's branch and residential properties which have been vacant and surplus to the Bank's requirements following a decision to close five branches. Efforts to dispose of the properties have commenced and this is expected to be completed in the next twelve months.

	2015 USD	2014 USD
Land and buildings	295 000	-

19 PROPERTY AND EQUIPMENT AND NON-CURRENT ASSETS HELD FOR SALE (continued)

Valuation techniques

Discounted cash flows:

- The discounted cash flows method was applied on all income producing properties. The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate;
- The expected net cash flows are discounted using market related risk-adjusted discount rates; and
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs. secondary), tenant credit quality and lease terms.

Direct comparison:

- The direct comparison method was applied on all residential properties, after identification of various properties that have been sold or which were on sale and situated in comparable areas using the Main Space Equivalent ('MSE') principle. The total MSE of comparable areas was then used to determine the value per square metre of MSE.
- For residential properties, the revalued amounts were arrived at by reference to recent market transactions at arms' length terms while for commercial properties the revalued amounts were arrived at by reference to market rental yields.

Significant unobservable inputs

- Risk adjusted discount rates (7%-13%, weighted average 7%).
- Average rentals per square metre – USD7 to USD25.

Inter relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower); and
- The risk adjusted discount rates were lower (higher).

Valuation of the Bank's land and buildings is performed at least every three years by Integrated Properties, independent valuers not related to the Bank. The last revaluation was carried out at 31 December, 2015 and adjustments were made to the land and buildings' carrying amounts.

	2015 USD	2014 USD
20 DEPOSITS FROM CUSTOMERS		
20.1 Deposits by type		
Payable on demand	291 244 480	248 093 057
Savings deposits	57 750	39 174 035
Term deposits	-	1 052 017
	291 302 230	**288 319 109**
20.2 Maturity analysis		
Payable on demand	291 302 230	287 267 092
3 months or less	-	1 052 017
	291 302 230	**288 319 109**

20.3 Concentration of deposits from customers

	2015 USD	2015 %	2014 USD	2014 %
Individuals	95 133 218	33%	91 415 785	32%
Agriculture	13 716 241	5%	9 920 807	4%
Mining	2 062 916	1%	3 687 468	1%
Manufacturing	34 887 891	12%	28 591 670	10%
Distribution	46 957 769	16%	49 759 294	17%
Construction	2 336 400	1%	3 217 635	1%
Transport	10 980 758	4%	9 599 560	3%
Services	71 873 524	24%	80 261 324	28%
Other	13 353 513	4%	11 865 566	4%
	291 302 230	**100%**	**288 319 109**	**100%**

	2015 USD	2014 USD
21 DEPOSITS FROM BANKS		
Deposits from related banks	304 576	5 492 141
Deposits from other banks	4 767	-
	309 343	**5 492 141**

All the above deposits are payable on demand.

22 OTHER LIABILITIES

	2015 USD	2014 USD
Accrued interest payable	2 899	1 714
Remittances in transit	2 143 171	2 772 225
Staff voluntary separation costs	-	3 808 197
Defined benefit plan (note 23.1)	1 320 000	-
Long service awards (note 23.2)*	2 762 000	2 729 000
Accrued interest on customers' FCA balances held at the Central Bank**	-	16 699 979
Group cross border recharges	8 747 296	5 457 691
Provisions (note 22.1)	7 207 040	4 346 093
Other	2 027 069	5 753 380
	24 209 475	**41 568 279**

All other liabilities are payable on demand.
* Note 27 has an explanation for the restatement
** The accrued interest on customers' FCA balances held at the Central Bank has been derecognised from the statement of financial position in 2015 following the passing of the into law of the Reserve Bank of Zimbabwe Debt Assumption Act. (Refer to Note 17.1 for more details).

22 OTHER LIABILITIES (continued)

22.1 PROVISIONS

	Performance Bonus USD	Other USD	Total USD
Balance at 1 January 2015	2 620 837	1 725 256	4 346 093
Provisions made during the year	2 318 549	7 617 491	9 936 040
Provisions reversed during the year	(190 307)	(2 104 725)	(2 295 032)
Provisions used during the year	(2 430 530)	(2 349 531)	(4 780 061)
Balance at 31 December 2015	**2 318 549**	**4 888 491**	**7 207 040**
Balance at 1 January 2014	2 551 336	1 986 570	4 537 906
Provisions made during the year	2 620 837	1 725 256	4 346 093
Provisions reversed during the year	(2 468 393)	(1 986 570)	(4 454 963)
Provisions used during the year	(82 943)	-	(82 943)
Balance at 31 December 2014	**2 620 837**	**1 725 256**	**4 346 093**

All provisions are payable within 12 months.

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 the following significant provisions: staff redundancy costs of USD2 166 001 (2014: USD1 414 000) and leave pay accrual of USD1 189 022 (2014: USD810 918).

23 LONG TERM EMPLOYEE BENEFITS

The Bank operates a defined contribution and a defined benefit scheme and also offers long service awards to its employees whose details are as below.

A. 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 comprises 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.

Defined benefit plan sensitivity analysis

	Defined benefit obligation	
	USD	**% impact**
Base	13 135	
Discount rate (+1%)	11 719	-11%
Discount rate (-1%)	14 871	13%
General inflation (+1%)	13 689	4%

Significant actuarial assumptions for the determination of the defined obligation plan are the discount rate and inflation rate. The sensitivity analysis above 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.

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.

23 LONG TERM EMPLOYEE BENEFITS (continued)

The principal assumptions used for the purposes of the defined benefit plan actuarial valuations were as follows:

	Defined benefit obligation	
	2015	**2014**
Discount rate	4.6%	4.2%
Expected return on plan assets	4.6%	4.2%
Salary inflation rate	4.0%	4.0%
Pension inflation rate	0.0%	0.0%

Plan assets

Plan assets comprise the following:

	2015 USD	**2014 USD**
Equities	11 146 000	15 674 000
Government Bonds	3 090 000	-
Corporate Bonds	35 000	448 000
Property	4 561 000	3 905 000
Other	11 855 000	12 474 000
Fair value of plan assets	**30 687 000**	**32 501 000**

B. Long service awards

The Bank offers awards to its long serving employees. Employees are entitled to a long service award on the basis of every five year period served up to a maximum of 40 years. The factor is derived by dividing the number of years by 12 calendar months.

The obligation is unfunded and is determined by an independent actuarial valuation carried out on annual basis with the last one having been done on 31 December 2015.

Long service awards plan sensitivity analysis

	Long service awards obligation	
	USD	**% impact**
Base	2 762	
Discount rate (+1%)	2 587	-6%
Discount rate (-1%)	2 959	7%
General inflation (+1%)	2 958	7%

Significant actuarial assumptions for the determination of the long service award obligation are the discount rate and inflation rate. The sensitivity analysis above 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.

The sensitivity analysis presented above may not be representative of the actual change in the long service awards 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.

The principal assumptions used for the purposes of the long service awards actuarial valuations were as follows:

	Long service awards obligation	
	2015	**2014**
Discount rate	4.6%	4.2%
Salary inflation rate	4.0%	4.0%
Pension inflation rate	0.0%	0.0%

23 LONG TERM EMPLOYEE BENEFITS (continued)

23.1 Defined benefit plan:

Movement in net defined benefit (asset)/obligation

	Defined benefit obligation		Fair value of plan assets		Asset ceiling		Net defined benefit liability/(asset)	
	2015 USD	2014 USD	2015 USD	2014 USD	2015 USD	2014 USD	2015 USD	2014 USD
Balance at 1 January	**11 166 000**	**9 646 000**	**(12 769 000)**	**(11 250 000)**	**1 603 000**	**1 604 000**	**-**	**-**
Included in profit and loss:								
Current service cost (excluding expenses)	201 000	85 000	-	-	-	-	201 000	85 000
Curtailment gain	(821 000)	-	-	-	-	-	(821 000)	-
Net interest cost	802 000	570 000	(538 000)	(581 000)	67 000	83 000	331 000	72 000
	182 000	**655 000**	**(538 000)**	**(581 000)**	**67 000**	**83 000**	**(289 000)**	**157 000**
Included in the other comprehensive income								
Remeasurements loss/(gain)								
(a) Actuarial loss/(gain) arising from:								
- Assumptions	(890 000)	-	-	-	-	-	(890 000)	-
- Experience adjustments	3 614 001	975 000	-	-	-	-	3 614 001	975 000
(b) Return on planned assets excluding interest income	-	-	697 000	(871 000)	-	-	697 000	(871 000)
Effects of Asset Ceiling not in profit or loss	-	-	-	-	(1 670 000)	(84 000)	(1 670 000)	(84 000)
	2 724 001	**975 000**	**697 000**	**(871 000)**	**(1 670 000)**	**(84 000)**	**1 751 001**	**20 000**
Other								
Contribution paid by the employer (excluding expenses)	(1)	-	(149 000)	(184 000)	-	-	(149 001)	(184 000)
Contributions paid by members and other parties	69 000	76 000	(69 000)	(76 000)	-	-	-	-
Benefits paid	(1 006 000)	(186 000)	1 006 000	186 000	-	-	-	-
Expenses	-	-	7 000	7 000	-	-	7 000	7 000
Balance at 31 December	**13 135 000**	**11 166 000**	**(11 815 000)**	**(12 769 000)**	**-**	**1 603 000**	**1 320 000**	**-**

23 LONG TERM EMPLOYEE BENEFITS (continued)

23.2 Long service awards

Movement in net defined benefit (asset)/obligation

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015 USD	2014 USD	2015 USD	2014 USD	2015 USD	2014 USD
Balance at 1 January	2 729 000	2 545 000	-	-	2 729 000	2 545 000
Included in profit and loss:						
Current service cost (excluding expenses)	179 000	163 000	-	-	179 000	163 000
Curtailment loss	(244 000)	(233 000)	-	-	(244 000)	(233 000)
- Actuarial loss/(gain) arising from:						
Assumptions	(76 000)	163 000	-	-	(76 000)	163 000
Experience adjustments	277 000	132 000	-	-	277 000	132 000
Net interest cost	118 000	134 000	-	-	118 000	134 000
	254 000	**359 000**	**-**	**-**	**254 000**	**359 000**
Other						
Contribution paid by the employer (excluding expenses)	-	-	(221 000)	(175 000)	(221 000)	(175 000)
Benefits paid			(221 000)	(175 000)	221 000	175 000
Balance at 31 December	**2 762 000**	**2 729 000**	**-**	**-**	**2 762 000**	**2 729 000**

23.3 Defined Contribution Plan

The amount attributable to the defined contribution plan at 31 December, 2015 was USD18 872 000 (2014: USD19 732 000). The Bank's contributions to the fund in the year to 31 December, 2015 was USD2 200 101 (2014: USD2 062 290).

24 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 or loss.

25 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 business units and functions. 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 including non executive Directors are done at arm's length. Interest rates are at the same rates offered to all other customers.

The Bank's Heads of units and functions comprise the Chief Executive Officer, Chief Financial Officer, Head of International Corporates, Head of Commercial Banking, Head of Retail Banking, Head of Financial Markets, Head of Compliance, Head of Human Resources, Chief Information Officer, Company Secretary, Head of Internal Audit, Head of Corporate Affairs, Brand and Marketing and the Country Chief Risk Officer.

Key management personnel compensation

	2015 USD	2014 USD
Short term employee benefits	2 344 235	2 341 611
Post employment benefits	432 376	350 297
Total compensation paid to key management personnel	**2 776 611**	**2 691 908**

Transactions and balances with key management personnel

	Loan balance		Interest income	
	2015	2014	2015	2014
	USD	USD	USD	USD
Loans extended to key management	396 400	320 500	10 335	7 187
Loans extended to Non Executive Directors	34 202	6 234	948	19 336
Loans to companies under the control of management:				
Nectorfield (Private) Limited*	50 362	50 000	4 193	3 735
Lusama Fashion Enterprise (Private) Limited **	-	-	-	11 648

Loans to executive management are on the same terms and conditions as relating to all other staff. The Bank provides unsecured short term loans with a maximum tenure of three years to its staff at an annual interest rate of 9%.
*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.

25 RELATED PARTIES (continued)

Transactions and balances with related entities

Transaction with related entities comprise of transactions between the Bank and its shareholders, fellow subsidiaries, holding company and/or entities related to the shareholders, fellow subsidiaries and holding company.

Name of related party	Nature of relationship	Nature of transaction	Amount of transaction Income/(Expense)		Outstanding balance Asset/(Liability)	
			2015 USD	2014 USD	2015 USD	2014 USD
Standard Chartered PLC	Parent	Shared service costs paid	(14 005 380)	(8 808 410)	(8 675 193)	(5 457 691)
	Parent	Offshore loan revenue received	353 322	548 485	353 327	177 074
Various SCB banks	Fellow subsidiaries	Banking deposits (Vostro)	-	-	(304 576)	(5 492 141)
		Banking deposits (Nostro)	-	-	4 713 689	1 766 518
Africa Enterprise Network Trust*	Trustees on behalf of shareholders	Banking deposits	-	-	(442 294)	(442 534)

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 of counters listed on the Zimbabwe Stock Exchange. The amount outstanding represents the dividend paid from the investments carried out by Africa Enterprise Trust.

26 COMMITEMENTS AND CONTINGENT LIABILITIES

26.1 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 at 31 December, 2015 are as follows:

	2015 USD	2014 USD
Within one year	505 033	83 000
After one year but not more than five years	197 673	375 627
Total	**702 706**	**458 627**

26.2 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 at 31 December, 2015 are as follows:

	2015	2014
Within one year	309 298	300 000
After one year but not more than five years	1 091 718	1 357 689
More than 5 years	544 359	-
	1 945 375	**1 657 689**

26.3 Commitments and contingent liabilities

	2015	2014
Tax assessment under dispute	-	4 062 583
Letters of credit	352 035	1 435 031
Foreign currency forwards	6 286 827	8 835 007
Disputed FCA balances (Note 26.3.1)	1 690 658	2 275 586
Unfunded pension liability	-	6 605 000
Guarantees	14 414 268	10 886 609
Other commitments (Note 26.3.2)	19 767 211	50 836 628
	42 510 999	**84 936 444**

26.3.1 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 underway to encourage customers to accept the Treasury Bills issued by the Government and withdraw the court cases.

26.3.2 Other commitments

Other commitments relate to obligations arising from unutilised available limits on all other committed facilities amounting to USD4 million (2014: USD39 million) and uncommitted facilities amounting to USD16 million (2014: USD11 million).

27 RESTATEMENT OF PRIOR YEARS FINANCIAL STATEMENTS

During 2015, the Bank changed the accounting treatment for its employees' Long Service Awards obligation. Previously the awards were being expensed when paid but with effect from the current year, the liability is now being actuarially determined and recognised by the Bank for all serving employees. As a consequence, the financial statements for the prior periods have been restated and the impact is as summarised below:

27.1 Statement of financial position

At 1 January 2014	As previously reported USD	Adjustment USD	As restated USD
Total assets	**424 795 278**	**-**	**424 795 278**
Other liabilities	(31 481 458)	(2 545 000)	(34 026 458)
Deferred tax	(3 797 287)	655 337	(3 141 950)
Others	(314 393 769)	-	(314 393 769)
Total liabilities	**(349 672 514)**	**(1 889 663)**	**(351 562 177)**
Retained earnings	(38 637 540)	1 889 663	(36 747 877)
Others	(36 485 224)	-	(36 485 224)
Total shareholders' funds	**(75 122 764)**	**1 889 663**	**(73 233 101)**

At 31 December 2014	As previously reported USD	Adjustment USD	As restated USD
Total assets	**407 732 686**	**-**	**407 732 686**
Other liabilities	(38 839 278)	(2 729 001)	(41 568 279)
Deferred tax	(2 507 934)	702 718	(1 805 216)
Others	(294 140 613)	-	(294 140 613)
Total liabilities	**(335 487 825)**	**(2 026 283)**	**(337 514 108)**
Retained earnings	(35 711 145)	2 026 283	(33 684 862)
Others	(36 533 716)	-	(36 533 716)
Total shareholders' funds	**(72 244 861)**	**2 026 283**	**(70 218 578)**

27.2 Statement of profit or loss and other comprehensive income
For the year ended 31 December 2014

	As previously reported USD	Adjustment USD	As restated USD
Operating expenses	(55 084 134)	(184 000)	(55 268 134)
Tax expense	(3 762 806)	47 380	(3 715 426)
Others	65 554 894	-	65 554 894
Profit after tax	**6 707 954**	**(136 620)**	**6 571 334**
Total comprehensive income	**6 707 954**	**(136 620)**	**6 571 334**

The restatement resulted in a USD0.16 decline in the basic and diluted earnings per share for the financial year ended 31 December, 2014.

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; and
- 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.

28.2 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 remainder of the loan advances are to the mining, commercial and manufacturing sectors where the lending is largely to established large multinational corporates which in most instances are multi-banked. These are generally secured by intra group guarantees and Notarial General Covering Bonds over movable assets subject to individual risk profiles.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.2 Credit risk (continued)

	Loans and advances to customers		Financial assets available for sale		Lending commitments and financial guarantees	
	2015	2014	2015	2014	2015	2014
	USD	USD	USD	USD	USD	USD
Gross carrying amount	**174 651 255**	**213 809 611**	**51 955 129**	**16 162 339**	**28 485 989**	**34 737 090**
Assets at ammortised cost						
Grade 1-4 Low fair risk	160 739 004	193 239 581				
Grade 5-7 Watchlist	4 648 694	7 213 385				
Grade 8 Substandard	212 693	319 034				
Grade 9 Doubtful	1 036 287	2 669 414				
Grade 10 Loss	8 014 577	10 368 197				
Total gross amount	**174 651 255**	**213 809 611**				
Specific and portfolio impairment allowance	(7 249 430)	(9 683 507)				
Interest in suspense	(4 099 742)	(4 118 632)				
Net carrying amount	**163 302 083**	**200 007 472**				
Available for sale						
Low fair risk (carrying amount)			51 955 129	16 162 339		
Off balance sheet exposures						
Maximum exposures						
Lending commitments					14 071 721	23 850 480
Financial guarantees					14 414 268	10 886 610
Total exposure					**28 485 989**	**34 737 090**
Loans with renegotiated terms						
Gross carrying amount	3 287 886					
Allowance for impairment	(80 735)					
Net carrying amount	**3 207 151**					
Neither past due nor impaired						
Grade 1-4 Low fair risk	160 360 646	193 239 581				
Grade 5-7 Watchlist	4 648 694	7 213 385				
Total gross amount	**165 009 340**	**200 452 966**				
Allowance for impairment loss	(4 061 133)	(4 276 697)				
Net carrying amount	**160 948 207**	**196 176 269**				

28 RISK MANAGEMENT FRAMEWORK (continued)

28.2 Credit risk (continued)

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

Security from customers

	2015 USD	2014 USD
Against collectively unimpaired loans		
Asset based	60 571 000	78 580 000
Property	48 057 000	53 827 000
Commodity	670 000	8 482 000
Total collateral	**109 298 000**	**140 889 000**
Against individually impaired loans		
Asset based	4 312 569	3 312 469

The above collateral is held against loans and advances provided to customers. The Bank will return the collateral upon full repayment of loans and advances by the relevant customers. In the event of default by a customer, the Bank will only act on the collateral after a court ruling in favour of the Bank.

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.

	2015 USD	2014 USD
Renegotiated loans and advances to customers	3 287 886	4 250 188

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 Banking, Commercial Banking, Retail Banking, 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 at 31 December 2015

	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	127 819 841	-	-	-	-	127 819 841
Financial assets available for sale	-	4 665 533	9 408 746	37 880 850	-	51 955 129
Loans and advances to customers	28 524 593	28 227 498	38 436 751	68 113 241	-	163 302 083
Non-current assets held for sale	-	-	-	-	295 000	295 000
Other assets	447 765	-	-	-	3 420 818	3 868 583
Restricted balances with the Central Bank	-	-	-	245 000	-	245 000
Investment property	-	-	-	-	6 050 000	6 050 000
Property and equipment	-	-	-	-	29 780 764	29 780 764
	156 792 199	**32 893 031**	**47 845 497**	**106 239 091**	**39 546 582**	**383 316 400**
Equity and liabilities						
Shareholders' funds	-	-	-	-	65 774 054	65 774 054
Deposits from customers	291 302 230	-	-	-	-	291 302 230
Deposits from banks	309 343	-	-	-	-	309 343
Other liabilities	10 893 366	-	-	-	13 316 109	24 209 475
Current tax liability	-	1 357 745	-	-	-	1 357 745
Deferred tax liability	-	-	-	-	363 553	363 553
	302 504 939	**1 357 745**	**-**	**-**	**79 453 716**	**383 316 400**
Liquidity gap	**(145 712 740)**	**31 535 286**	**47 845 497**	**106 239 091**	**(39 907 134)**	
Cumulative gap	**(145 712 740)**	**(114 177 454)**	**(66 331 957)**	**39 907 134**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.3 Liquidity risk (continued)

28.3.2 Liquidity gap analysis 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	726 588	-	-	-	5 138 091	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
	189 819 097	**32 440 398**	**23 694 212**	**120 513 792**	**41 265 187**	**407 732 686**
Equity and liabilities						
Shareholders' funds	-	-	-	-	70 218 578	70 218 578
Deposits from customers	287 267 092	1 052 017	-	-	-	288 319 109
Deposits from banks	5 492 141	-	-	-	-	5 492 141
Other liabilities	28 739 806	-	-	-	12 828 473	41 568 279
Current tax liability	-	329 363	-	-	-	329 363
Deferred tax liability	-	-	-	-	1 805 216	1 805 216
	321 499 039	**1 381 380**	**-**	**-**	**84 852 267**	**407 732 686**
Liquidity gap	**(131 679 942)**	**31 059 018**	**23 694 212**	**120 513 792**	**(43 587 080)**	
Cumulative gap	**(131 679 942)**	**(100 620 924)**	**(76 926 712)**	**43 587 080**	**-**	

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

	GPB USD	EUR USD	ZAR USD	Other USD	Total USD
Balance at 31 December 2015					
Assets					
Cash and cash equivalents	1 405 756	2 237 157	3 032 690	533 854	7 209 457
Loans and advances to customers	-	-	111 846	-	111 846
Other assets	-	62 869	-	-	62 869
Total assets	**1 405 756**	**2 300 026**	**3 144 536**	**533 854**	**7 384 172**
Liabilities					
Deposits from customers	899 950	1 583 673	2 871 539	149 863	5 505 025
Deposits from banks	25 548	272	-	195 840	221 660
Other liabilities	529 945	700 447	648 258	113 938	1 992 588
Total liabilities	**1 455 443**	**2 284 392**	**3 519 797**	**459 641**	**7 719 273**
Net exposure	**(49 687)**	**15 634**	**375 261**	**74 213**	**(335 101)**

The above amounts are stated in United States dollar equivalent.

28 RISK MANAGEMENT FRAMEWORK (continued)

28.4 Foreign exchange risk (continued)

28.4.2 CURRENCY POSITION

	GPB USD	EUR USD	ZAR USD	Other USD	Total USD
Balance at 31 December 2014					
Assets					
Cash and cash equivalents	1 677 772	1 918 690	10 210 796	626 282	14 433 540
Loans and advances to customers	-	-	101 658	-	101 658
Total assets	**1 677 772**	**1 918 690**	**10 312 454**	**626 282**	**14 535 198**
Liabilities					
Deposits from customers	1 036 066	1 224 171	11 055 721	234 107	13 550 065
Deposits from banks	28 566	-		9 151	37 717
Other liabilities	546 302	729 608	814 031	127 884	2 217 825
Total liabilities	**1 610 934**	**1 953 779**	**11 869 752**	**371 142**	**15 805 607**
Net exposure	**66 838**	**(35 089)**	**(1 557 298)**	**255 140**	**(1 270 409)**

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, 2015 are as follows:

Currency	2015 Mid Rate Against USD	2014 Mid Rate Against USD
GBP	1.4825	1.5559
EUR	1.0928	1.2153
BWP	0.0901	0.1052
ZAR	0.0643	0.0865
CAD	1.3873	1.1606
AUD	0.7308	0.8185

28.4.4 Sensitivity of equity to the exchange rate

At 31 December 2015, the Bank's net foreign currency position reflected a net liability position resulting in the expected impact on the statement of profit or loss and equity as reported below, assuming a 5% change 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	1 405 756	1 455 443	(49 687)	(2 484)	2 484
EUR	2 300 026	2 284 392	15 634	782	(782)
ZAR	3 144 536	3 519 797	(375 261)	(18 763)	18 763
Other	533 854	459 641	74 213	3 711	(3 711)

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 at 31 December 2015

	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	-	-	-	-	127 819 841	127 819 841
Financial assets available for sale	-	4 665 533	9 408 746	37 880 850	-	51 995 129
Loans and advances to customers	28 524 593	28 227 498	38 436 751	68 113 241	-	163 302 083
Non-current assets held for sale	-	-	-	-	295 000	295 000
Other assets	447 765	-	-	-	3 420 818	3 868 583
Restricted balances with the Central Bank	-	-	-	245 000	-	245 000
Investment property	-	-	-	-	6 050 000	6 050 000
Property and equipment	-	-	-	-	29 780 764	29 780 764
	28 972 358	**32 893 031**	**47 845 497**	**106 239 091**	**167 366 423**	**383 316 400**
Equity and liabilities						
Shareholders' funds	-	-	-	-	65 774 054	65 774 054
Deposits from customers	291 302 230	-	-	-	-	291 302 230
Deposits from banks	-	-	-	-	309 343	309 343
Other liabilities	-	-	-	-	24 209 475	24 209 475
Current tax liability	-	1 357 475	-	-	-	1 357 745
Deferred tax liability	-	-	-	-	363 553	363 553
	291 302 230	**1 357 745**	**-**	**-**	**90 656 425**	**383 316 400**
Interest rate repricing gap	**(262 329 872)**	**31 535 286**	**47 845 497**	**106 239 091**	**76 709 998**	
Cumulative gap	**(262 329 872)**	**(230 794 586)**	**(182 949 089)**	**(76 709 998)**	**-**	

28 RISK MANAGEMENT FRAMEWORK (continued)

28.5.2 Interest rate repricing gap analysis 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
Other assets	726 588	-	-	-	5 138 091	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
	57 431 973	**32 440 398**	**23 694 212**	**120 513 792**	**173 652 311**	**407 732 686**
Equity and liabilities						
Shareholders' funds	-	-	-	-	70 218 578	70 218 578
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	24 868 300	41 568 279
Current tax liability	-	329 363	-	-	-	329 363
Deferred tax liability	-	-	-	-	1 805 216	1 805 216
	287 267 092	**1 381 380**	**-**	**16 699 979**	**102 384 235**	**407 732 686**
Interest rate repricing gap	**(229 835 119)**	**31 059 018**	**23 694 212**	**103 813 813**	**71 268 076**	**-**
Cumulative gap	**(229 835 119)**	**(198 776 101)**	**(175 081 889)**	**(71 268 076)**	**-**	**-**

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 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 Executive 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, 2015 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.

	2015 USD	2014 Restated* USD
28.10 Capital risk (continued)		
Capital adequacy		
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	4 452 479
Retained earnings	28 087 656	33 684 862
Insider loans	(85 239)	(56 235)
Less capital allocated for market and operational risk	(15 633 447)	(15 052 177)
Total tier 1 capital	**38 271 449**	**44 478 929**
Tier 2 capital		
Foreign currency translation reserve (limited to 25% of balance)	1 484 160	1 484 160
Revaluation reserve	10 299 759	9 147 077
General provisions (limited to 1.25% of risk weighted assets)	3 277 306	3 486 085
Total tier 2 capital	**15 061 225**	**14 117 322**
Total capital - Tier 1 and 2	**53 332 674**	**58 596 251**
Tier 3 capital		
Capital allocated for market and operational risk	15 633 447	15 052 177
Total capital base	**68 966 121**	**73 648 428**
Risk weighted assets	**262 184 462**	**278 886 835**
Tier 1 capital ratio	14.60%	15 .95%
Tier 2 capital ratio	5.74%	5.06%
Tier 3 capital ratio	5.96%	5.40%
Capital adequacy	26.30%	26.41%

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.

* Note 27 has an explanation for the restatement

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active market are based on quoted market prices or dealer price quotation. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

29.1 Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of inputs used in making the measurements. The fair values of financial assets and financial liabilities that are traded in active market are based on quoted market prices or dealer price quotation. For all other financial instruments, the Bank determines fair values using other valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Zimbabwe Stock Exchange).

Level 2- Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from quoted prices). This category includes instruments valued using: quoted market prices for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3- Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique inputs are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between instruments.

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

	Note	Level 3 USD	Total USD
2015			
Financial assets available for sale	14	51 955 129	51 955 129
		51 955 129	**51 955 129**
2014			
Financial assets available for sale	14	16 162 339	16 162 339
		51 955 129	**16 162 339**

Measurement of fair value
Fair value hierarchy
Level 3

The fair value of available for sale financial assets of USD51 955 129 (2014: USD16 162 339) has been categorised under level 3 in the fair value hierarchy based on the inputs to the valuation technique used.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following is reconciliation from the opening balances to the closing balances for the level 3 fair values.

	USD
Balance at 1 January 2015	**16 162 339**
Purchases	53 664 700
Settlements	(17 871 910)
Fair value recognised in profit and loss	-
Fair value recognised in other comprehensive income	-
Balance at 31 December 2015	**51 955 129**

Valuation technique and significant unobservable inputs

Financial assets available for sale comprise of Treasury bills and bonds issued by the Government and other third parties. In the absence of the active market and other parameters to determine an appropriate yield curve, Management have adopted the amortised value of these instruments as a proxy to the fair value.

29.2 Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 2 USD	Level 3 USD	Total USD	Carrying Amount USD
At 31 December 2015				
Assets				
Cash and cash equivalents	127 819 841	-	**127 819 841**	**127 819 841**
Loans and advances to customers	95 188 842	68 113 241	**163 302 083**	**163 302 083**
Restricted balances with the Central Bank	-	245 000	**245 000**	**245 000**
Other assets	3 868 583	-	**3 868 583**	**3 868 583**
Liabilities				
Deposits from customers	291 302 230	-	**291 302 230**	**291 302 230**
Deposit from banks	309 343		**309 343**	**309 343**
Other liabilities	24 209 475	-	**24 209 475**	**24 209 475**

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

29.2 Financial instruments not measured at fair value (continued)

	Level 2 USD	Level 3 USD	Total USD	Carrying Amount USD
At 31 December 2014				
Assets				
Cash and cash equivalents	132 387 124	-	**132 387 124**	**132 387 124**
Loans and advances to customers	96 677 656	103 329 816	**200 007 472**	**200 007 472**
Restricted balances with the Central Bank	17 183 976		**17 183 976**	**17 183 976**
Other assets	5 864 679	-	**5 864 679**	**5 864 679**
Liabilities				
Deposits from customers	288 319 109	-	**288 319 109**	**288 319 109**
Deposits from banks	5 492 141		**5 492 141**	**5 492 141**
Other liabilities	41 568 279	-	**41 568 279**	**41 568 279**

Cash and cash equivalents

Cash and cash equivalents consists of notes and coins on hand, unrestricted balances in local and foreign banks, liquid financial assets with original maturities of three months or less. These balances are subject to insignificant risk of change in their fair value. It is the Directors' assessment that the carrying amount of these balances approximates their fair value at any given time.

Loans and advances to customers

The estimated fair value of loans and advances is estimated to approximate the carrying amount due to non-availability of benchmark interest rates to discount the expected future cash flows thereof. The Directors believe that current interest rates are market related and would re-issue the loans at the same interest rate if needed. It is from this assessment that Directors believe that the carrying amount of these balances reasonably approximate fair value as discounting the future cash flow using the current interest rates would not result in significant differences from the carrying amount.

Restricted balances with the Central Bank

These financial assets consist of customer's FOLIWARS foreign currency deposits held by the Central Bank. In the prior year the figure also consisted of interest on customer's foreign currency account balances that were transferred to the Central Bank but have been derecognised after the Government assumed the debt. There is currently no observable active market for these instruments; or a reliable proxy to discount the expected future cash flows. Directors believe that the carrying amount approximates fair value on these instruments.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

29.2 Financial instruments not measured at fair value (continued)

Deposits from customers and banks

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits approximates the carrying amount as interest rates quoted are market related. It is the view of Directors that the carrying amounts of these assets and liabilities reasonably approximate fair values.

Other assets and other liabilities

Other assets have maturity profiles within 1 year which means that the effect of discounting the future cash flows of the balance approximate the carrying amount. A significant portion of the contractual maturity profile of other liabilities is within 1 year implying that the effect of discounting is immaterial. It is the view of the Directors that the carrying amounts of other assets and other liabilities reasonably approximate fair values.

30 FIDUCIARY ACTIVITIES

30.1 Assets under custody

The Bank provides trust business to individuals and institutions by holding assets on behalf of customers. At 31 December, 2015, the funds under safe custody amounted to USD141 563 473 (2014: USD249 789 677) and fee income amounting to USD492 330 (2014: USD294 060) had been received from the services.

30.2 Assets under administration

The Bank has assets under its administration as disclosed in note 17.1 which relate to customers' FCA funds relating to the interest component not covered by treasury bills issued by the Government of Zimbabwe with respect to the principal component of the FCA balances. The Bank's role is solely of an administrative nature involving crediting interest and principal amounts into customers' accounts after payments by the Government of Zimbabwe.

The assets described under notes 30.1 and 30.2 above are therefore not on the Bank's statement of financial position.

31 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting period, the RBZ, through its Monetary Policy announcement in February 2016, issued a directive limiting payments for, among other things, services obtained from foreign vendors to 3% of audited gross annual revenue. This directive is expected to have a significant impact of the Bank's financial performance from 2016 onwards as it is likely to result in a reduction in operating costs.

32 RESERVE BANK OF ZIMBABWE ON-SITE EXAMINATION

The latest on-site examination of the Bank was conducted 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 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

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

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	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**

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.

33 EXTERNAL CREDIT RATING

Rating agent	2015	2014	2013
Global Credit Rating company	AA-	AA-	AA-

Notes