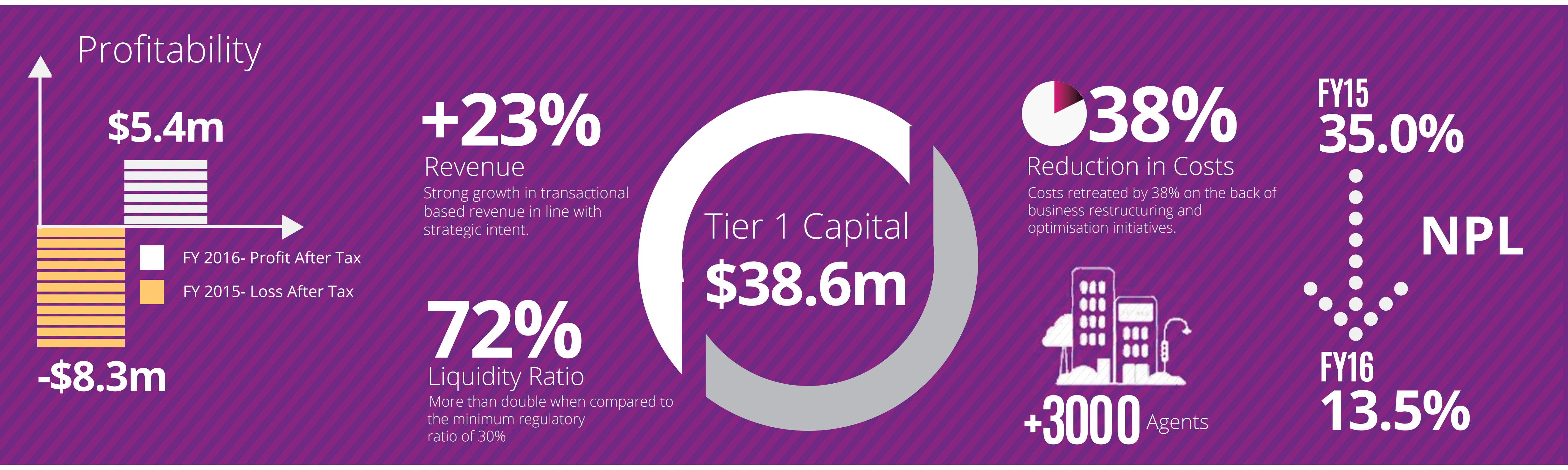
STEWARD | BANK
Your Money Our Commitment
A Registered Commercial Bank
Member of the Deposit Protection Corporation

A subsidiary of
ECONET WIRELESS

GLOBAL BANKING & FINANCE REVIEW AWARDS — BEST NEW RETAIL BANK ZIMBABWE 2016
GLOBAL BANKING & FINANCE REVIEW AWARDS — BEST NEW BANK FOR CARD SERVICES ZIMBABWE 2016

AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 29 February 2016

"Our core purpose and strategic goal is to establish a financial services platform to provide banking services to every Zimbabwean, no matter who they bank with."



The year 2015 saw significant growth for Steward Bank following rigorous business reorganisation and strategic alignment. Since takeover by Econet Wireless Zimbabwe Limited in 2013, I am pleased to announce that the Bank recorded its first full year profit before tax of US$6,2 million from a loss before tax of US$9.5 million in the previous year. We consider this to be a major step in our positioning as a leading financial services platform in the country, providing products and services to millions of Zimbabweans.

In the past few years, we have made some painful but strategic decisions, laying the foundation for growth through cost optimization, a rigorous clean-up of our loan book and refocusing of the business around our transactional banking model and supporting the EcoCash business country-wide. I would like to thank all our stakeholders for their patience during this re-organization process. We believe we have built the foundation for a leaner, stronger and technology driven business with the potential to compete both locally and globally.

Foundation Laid – The Future is Bright

Our core purpose and strategic goal is to make banking cost effective, universal and accessible to every Zimbabwean. In the year under review we have seen a significant increase in the number of new customers registering for the various services we offer. We have also registered an exponential increase in transaction count on our Card business, ATM, POS and other e-banking channels. We launched our hugely popular iSave account which has no monthly charges as a statement of intent on how serious we are about FREE banking. We registered and licensed 3,000 agents across the country contributing significantly to employment creation whilst increasing the number of serving points. Our universal agent banking platform provides banking services to every Zimbabwean no matter who they bank with. One of the Central Bank's key agenda is to promote financial inclusion and making banking services accessible to everyone no matter where they live. We believe we are firmly positioned to contribute to this vision.

A challenging operating Environment – United we can overcome

The evolving global commodity dynamics, evidenced by the decline of metal and tobacco prices in Q4 2014 into 2015 continues to present growth risks to commodity dependent economies such as Zimbabwe. The strengthening of the US dollar, which is our predominant trading currency has led to increased market volatility, coupled with the ongoing liquidity challenges.

Notwithstanding these tough macroeconomic headwinds, our business segments across electronic banking, retail and commercial banking all recorded growth. Our retail banking segment managed to grow the number of new customers by 60,000 in 2015 which we consider an encouraging level of brand acceptance and preference by potential customers. Transactional Banking registered significant growth on the back of our universal banking platform. As a consequence, Steward Bank has become the second largest acquirer of ZimSwitch transactions in the country. The Bank recently launched and formalized the popular savings groups "mukando" by leveraging on our mobile capabilities to offer EcoCash Group Savings. Overall, the business has responded to the economic headwinds by innovating and simplifying our customer's requirements, reducing our costs, increasing efficiency and strong collaboration with other Econet group entities. This was evidenced by the launch of our financial solution for SMEs, the Zama Zama account which is bundled with services from Muzinda Hub (web development), OWNAI (access to markets) and Ecocash (merchant services and payroll).

Financial Performance

I am happy to report that for the first time since our birth as Steward Bank, the Bank has reported a full year profit before tax of $6,2m for the financial year ended 29 February 2016. Our strategy has resulted in a smaller but more efficient balance sheet evidenced by our strong financial ratios in comparison with our peers. The Bank had a core capital base of $38.6 million as at 29 February 2016 which exceeded the Reserve Bank of Zimbabwe's ("RBZ") minimum capital requirements of $25 million. Our liquidity ratio stood at 72% over the same period, against a minimum regulatory ratio of 30%. Our loan to deposit ratio averaged 58% reflecting our cautious approach to lending. More significantly, as part of the clean-up process, we managed to reduce our NPL ratio from 35% in the previous year to 13.5% as at 29 February 2016.

Some Brownie Points – Awards Galore

During the financial year under reporting, Steward Bank and its management were recognized with a number of awards by various bodies. These include:-

1. Best Retail Bank Zimbabwe 2016 (Global Banking & Finance Review).
2. Best Bank for Card Services 2016 (Global Banking & Finance Review).
3. Most Innovative Digital Banking Product of the Year.
4. Top Leadership Excellence Bank of the Year Award.
5. Top Leadership Excellence CEO of the Year Award.
6. Zimbabwe Top Business Leader of the Year Award/Banking Industry.

These awards are dedicated to our customers whose demands allow us to continuously innovate and provide financial solutions to the many challenges they face. I give credit to our highly inspired Stewards who have taken up the challenge to be market disruptors and innovators for the benefit of the Zimbabwean banking public.

Strengthening Corporate Governance and Board Developments

The Bank is committed to sound corporate governance practices. We have embarked on evaluation and alignment of the Bank's policies and procedures with the Zimbabwe National Code on Governance. In line with our continued emphasis to strengthen our corporate governance practices, in this financial year, the Board approved enhanced Board charters and policies.

Looking Into the Future

The Board is confident that our banking model, whilst different from that of our peers, represents what we believe is the FUTURE OF BANKING and positions us to serve the demands of a connected and cost sensitive clientele who are constantly looking to do banking services on the go, at the click of a button. In particular, our support of the EcoCash network will remain core to our strategy.

Appreciation

I would also like to announce my resignation as Steward Bank Board Chairman from April 2016 to pursue professional interests in the region. Whilst it's sad to say goodbye, I am immensely honored and privileged to have been part of the leadership that contributed to the Bank's turnaround. I am happy to be departing on the back of positive numbers.

On behalf of the Board, I would like to express profound gratitude to our staff, our valued customers, regulators, shareholders and key stakeholders for their confidence and continued support.

Dividend

No dividend will be declared.

Thank you and God bless you all.

OLUWATOMISIN ADEOLA FASHINA
CHAIRMAN

7 April 2016

AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 29 February 2016

CORPORATE GOVERNANCE

The Board of Directors recognises the importance of good corporate governance and is committed to conducting the business of the Bank with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests. The Board regularly reviews its structures and policies to ensure continued adherence to the governing instruments and international best practice. The Bank is committed to and supports the principles contained in the Reserve Bank of Zimbabwe ("RBZ") Guideline No. 01-2004/BSD as well as the King III Code which is an internationally recognized benchmark in Corporate Governance. The Bank is working to align with the Zimbabwe National Code on Governance.

BOARD OF DIRECTORS

The Board of Directors is responsible for the strategic direction and overall corporate governance of the Bank and ensuring that appropriate controls, systems and policies are in place. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

The Board of Directors is led by an independent Non-Executive Chairman, thereby ensuring constructive checks and balances between Executive management and the Board. Dr Lance Shingai Mambondiani, the Chief Executive Officer, was appointed as Executive Director during the year. The Board comprises a majority of Independent Non-Executive Directors who, together with the Executive Director, have an appropriate balance of skills, experience and expertise.

The Board held four (4) Board meetings during the year to assess risk, review performance and provide guidance to management.

Non-Executive Directors
Along with the Chairman and Executive Director, the Non-Executive Directors are responsible for ensuring that the Board fulfils its responsibilities under its Charter. The Non-Executive Directors combine diverse business and commercial experience with independent and objective judgement and provide independent challenge to the Executive team.

Independence of Directors
As required under the Board Charter, the majority of the Board, including the Chairman, are independent Directors. Directors must notify the Bank about any conflict of interest, potential material relationship with the Bank or circumstances relevant to their independence.

Transparency
The Board has unrestricted access to Company information, records, documents and management. Efficient and timely procedures for briefing Board members before Board meetings have been developed and implemented.

Board Committees
The Board has established and delegated specific roles and responsibilities to standing Committees, to assist it in discharging its mandate. The Committees meet quarterly or as necessary. Members of the Executive Committee and other management attend meetings of the various committees by invitation. Each Committee acts within written terms of reference approved by the Board and reviewed annually or as necessary. All Board Committees are chaired by Independent Non-Executive Chairpersons.

To assist the Board in the discharge of its responsibilities, the following standing Committees have been established namely:

i. Board Audit Committee;
ii. Board Risk and Compliance Committee;
iii. Board Assets and Liabilities Committee;
iv. Board Credit Committee;
v. Board Human Resources and Nominations Committee; and
vi. Board ICT Committee.

During the financial year, the Board established the Performance Review Committee which meets monthly to oversee and monitor the Bank's performance against the budget. This will include discussing and agreeing recommendations to the Board for corrective action.

Board Evaluation
The Board conducts an annual peer based performance evaluation of the effectiveness of its operations. The process entails the members collectively evaluating the effectiveness of the Board as well as each other individually as the members. The evaluation considers specific criteria such as structure of the Board, strategic leadership, effectiveness of Committees, attendance and participation of members and overall weaknesses noted. Action plans are put into place to address identified weaknesses with a view to continuously improving the performance and effectiveness of the Board and its members. The Board and Director Evaluation was concluded in March 2016 and the outcome was shared with the Reserve Bank of Zimbabwe.

Director Training and Development
Corporate Governance Training of the Board was conducted during the year. Training on Risk Management is scheduled in the next financial year.

Compliance
The Bank's Liquidity Ratio stood at 72% as at 29 February 2016 against the minimum prescribed ratio of 30%.

The audited Financial Statements for the year ended 29 February 2016 were approved at a meeting held on 7 April 2016.

AUDITOR'S STATEMENT

These financial results should be read in conjunction with the complete set of financial statements for the year ended 29 February 2016, which have been audited by Deloitte & Touche and an unmodified audit opinion issued thereon. The auditor's report on the financial results is available at the Company's registered office.

Deloitte & Touche
Harare, Zimbabwe

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 29 February 2016

	Notes	29 February 2016 US$	28 February 2015 US$
Interest and related income	3	9,049,092	7,262,076
Interest and related expense	4	(1,277,588)	(1,225,497)
Net interest income		7,771,504	6,036,579
Non-interest income	5	18,817,809	16,939,749
Impairment (charge)/ reversals:- Loans and advances	6	(1,772,507)	(3,251,676)
:- Loans and advances related to furniture customers	8	(476,893)	85,585
Net operating income		24,339,913	19,810,237
Operating expenditure	7	(18,136,703)	(29,293,976)
Profit/(loss) before tax		6,203,210	(9,483,739)
Income tax (expense)/credit	9	(791,130)	1,190,019
Profit/(loss) for the year		**5,412,080**	**(8,293,720)**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Loss arising on revaluation of property and equipment		(26,856)	-
Total comprehensive income/(loss) for the year		**5,385,224**	**(8,293,720)**

STATEMENT OF FINANCIAL POSITION
As at 29 February 2016

	Notes	29 February 2016 US$	28 February 2015 US$
ASSETS			
Cash and cash equivalents	10	24,553,452	23,755,668
Financial assets at fair value through profit or loss	11	279,755	14,538,537
Loans and advances to customers	12	56,324,976	59,547,175
Loans and advances relating to furniture customers	13	1,622,598	3,292,051
Financial assets held-to-maturity	14	45,834,053	33,699,848
Other receivables	15	13,444,894	5,032,110
Investment property	16	4,647,906	3,430,267
Property and equipment	17	4,866,821	3,959,858
Intangible assets	18	6,222,347	5,692,935
Deferred tax asset	26	10,896,184	11,687,314
Total assets		**168,692,986**	**164,635,763**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	4,077	4,077
Share premium	19	106,317,629	106,317,629
Other reserves	20	4,949,664	5,227,520
Accumulated loss		(42,379,882)	(48,042,962)
Total equity		**68,891,488**	**63,506,264**
LIABILITIES			
Deposits due to banks and customers	21	92,649,977	87,685,312
Loans and borrowings	22	3,565,302	8,840,300
Provisions	24	223,340	788,389
Other liabilities	25	3,362,879	3,815,498
Total liabilities		**99,801,498**	**101,129,499**
Total equity and liabilities		**168,692,986**	**164,635,763**

STATEMENT OF CHANGES IN EQUITY
For the year ended 29 February 2016

	Share capital US$	Share premium US$	Other reserves US$	Accumulated loss US$	Total US$
Balance as at 28 February 2014	**4,077**	**106,317,629**	**1,912,650**	**(36,434,372)**	**71,799,984**
Total comprehensive loss	-	-	-	(8,293,720)	**(8,293,720)**
Loss for the year	-	-	-	(8,293,720)	**(8,293,720)**
Other comprehensive income	-	-	-	-	-
Impairment allowance for loans and advances	-	-	3,314,870	(3,314,870)	-
Balance as at 28 February 2015	**4,077**	**106,317,629**	**5,227,520**	**(48,042,962)**	**63,506,264**
Total comprehensive (loss)/income	**-**	**-**	**(26,856)**	**5,412,080**	**5,385,224**
Profit for the year	-	-	-	5,412,080	**5,412,080**
Other comprehensive loss	-	-	(26,856)	-	**(26,856)**
Impairment allowance for loans and advances	-	-	(251,000)	251,000	-
Balance as at 29 February 2016	**4,077**	**106,317,629**	**4,949,664**	**(42,379,882)**	**68,891,488**

STATEMENT OF CASH FLOWS
For the year ended 29 February 2016

	29 February 2016 US$	28 February 2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	6,203,210	(9,483,739)
Adjustments for:		
Change in operating assets	(5,998,235)	(44,372,904)
Change in operating liabilities	3,946,997	27,650,414
Other non-cash items	3,897,384	8,542,710
Net cash generated from/(used in) operations	**8,049,356**	**(17,663,519)**
Taxation paid	-	-
Net cash inflow/(outflow) from operating activities	**8,049,356**	**(17,663,519)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,153,249)	(2,717,479)
Purchase of intangible assets	(823,323)	(464,115)
Proceeds from disposal of financial assets at fair value	-	18,915,524
Proceeds from disposal of property and equipment	-	34,551
Net cash (outflow)/inflow from investing activities	**(1,976,572)**	**15,768,481**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment of)/ proceeds from loans and borrowings	(5,275,000)	6,532,491
Net cash (outflow)/ inflow from financing activities	**(5,275,000)**	**6,532,491**
Net increase in cash and cash equivalents	797,784	4,637,453
Cash and cash equivalents at the beginning of the year	23,755,668	19,118,215
Cash and cash equivalents at the end of the year	**24,553,452**	**23,755,668**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
For the year ended 29 February 2016

1 GENERAL INFORMATION
Steward Bank Limited ("the Bank") was incorporated according to the laws of Zimbabwe on 9 October 1970 and was registered as a commercial bank in March 2008. Its registered office and principal place of business is 101 Union Avenue Building, 101 Kwame Nkrumah Avenue, Harare. The Bank's ultimate holding company is Econet Wireless Zimbabwe Limited.

The principal business of the Bank is to provide retail and corporate banking services in the key economic centres of Zimbabwe.

Currency of Account
These financial results are presented in United States dollars ("US$"), being the functional and reporting currency of the primary economic environment in which the Bank operates.

2 BASIS OF PREPARATION

2.1 Statement of compliance
The Bank's audited financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") and in a manner required by the Companies Act (Chapter 24:03), the relevant statutory instruments ("SI") SI 62/96 and SI 33/99 and the Zimbabwe Banking Act (Chapter 24:20).

AUDITED ABRIDGED FINANCIAL STATEMENTS
for the year ended 29 February 2016

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (continued)
For the year ended 29 February 2016

2 BASIS OF PREPARATION (CONTINUED)

2.2 Significant Accounting Judgements, Estimates and Assumptions

The accounting policies applied in the preparation of the audited financial statements are consistent with those of the annual financial statements for the year ended 28 February 2015. Previous year figures have been reclassified wherever necessary, to make them comparable with those of the current year.

	29 February 2016 US$	28 February 2015 US$
3 INTEREST AND RELATED INCOME		
Loans and advances to customers	5,698,573	5,519,725
Loans and advances relating to furniture customers	321,430	348,956
Held-to-maturity investments	2,973,612	1,367,875
Other	55,477	25,520
	9,049,092	**7,262,076**
4 INTEREST AND RELATED EXPENSE		
Trading activities	**1,277,588**	**1,225,497**
5 NON-INTEREST INCOME		
5.1 Fees and commission income		
Net dealing gains	746,993	241,475
Net commissions	17,104,652	15,883,145
	17,851,645	16,124,620
5.2 Other		
Fair value adjustment on financial instruments	(258,782)	75,498
Fair value gains/(losses) on investment property	317,639	(340,886)
Sundry income	907,307	1,080,517
	966,164	815,129
	18,817,809	**16,939,749**

6 IMPAIRMENT OF LOANS AND ADVANCES

Allowance for credit losses	**1,772,507**	**3,251,676**

7 OPERATING EXPENDITURE

Administration expenses	6,363,892	8,454,494
Amortisation of intangible assets	275,077	358,663
Audit fees	172,658	220,780
Depreciation of property and equipment	970,554	1,169,332
Impairment of intangible assets	18,834	-
Impairment of equipment	396,563	2,129,569
Directors' remuneration	125,374	113,332
- Short term benefits	125,374	113,332
- other emoluments	-	-
Loss arising on revaluation of property	45,812	-
Occupancy costs	1,584,239	2,038,095
Professional expenses	922,767	693,478
Staff costs	7,260,933	14,116,233
- Short term benefits	7,077,017	13,921,742
- post - employment benefits	183,916	194,491
	18,136,703	**29,293,976**

8 LOANS AND ADVANCES RELATING TO FURNITURE CUSTOMERS

Interest income	321,430	348,956
Impairment (charge)/reversal on loans and advances	(476,893)	85,585
Recovery of previously written-off loans	1,136,364	-
Operating profit relating to furniture loans	**980,901**	**434,541**

9 INCOME TAX

The components of income tax expense are as follows:		
Deferred tax expense/(credit)	791,130	(1,190,019)
Total income tax expense/(credit)	**791,130**	**(1,190,019)**

9.1 Income tax reconciliation

Accounting profit/(loss) before income tax	6,203,210	(9,483,739)
Taxation at normal rate of 25.75%	1,597,327	(2,442,063)
Effect of non-deductible expenses:		
- Donations	-	15,725
- Effect of assessed loss not recognised to deferred tax	-	236,594
- Effect of recognition of previously unrecognised tax losses	(913,162)	-
-Other non-deductible expenses	106,965	999,725
	791,130	**(1,190,019)**

10 CASH AND CASH EQUIVALENTS

	29 February 2016 US$	28 February 2015 US$
Balances with the Reserve Bank of Zimbabwe	21,215,408	15,695,401
Balances with other banks	651,009	2,955,590
Cash balances	2,687,035	5,104,677
	24,553,452	**23,755,668**

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	29 February 2016 US$	28 February 2015 US$
Listed equities:		
Opening balance	14,538,537	20,750,864
Additions	-	14,000,000
Disposals	(14,000,000)	(20,287,825)
Net fair value (loss)/gain	(258,782)	75,498
Closing balance	**279,755**	**14,538,537**

12 LOANS AND ADVANCES TO CUSTOMERS

12.1 Total loans and advances

Corporate loans	38,912,441	48,878,435
Small-to-medium Enterprise loans	2,492,097	291,602
Consumer loans	19,235,686	19,959,297
	60,640,224	69,129,334
Less: Allowance for impairment	(2,285,276)	(7,856,141)
Less: Suspended interest	(2,029,972)	(1,726,018)
	56,324,976	**59,547,175**

12.2 Maturity analysis

Less than one month	2,363,276	41,562,434
1 to 3 months	1,359,985	2,768,796
3 to 6 months	1,698,924	672,577
6 months to 1 year	11,265,208	2,107,766
1 to 5 years	42,151,361	16,760,627
Over 5 years	1,801,470	5,257,134
Gross loans and advances	**60,640,224**	**69,129,334**

12.3 Sectorial analysis of utilisations

	29 February 2016		28 February 2015	
	US$	%	US$	%
Mining	331,895	0.5%	2,772,970	4.0%
Manufacturing	28,927,409	47.7%	34,366,673	49.7%
Agriculture	2,823,439	4.7%	3,900,345	5.6%
Distribution	829,015	1.4%	2,413,259	3.5%
Services and communication	7,659,810	12.6%	5,725,605	8.3%
Individuals	20,068,656	33.1%	19,950,482	28.9%
	60,640,224	**100%**	**69,129,334**	**100.0%**

12.4 Allowance for impairment of loans and advances

	29 February 2016 US$	28 February 2015 US$
Opening balance	7,856,141	4,604,465
Net Charge for the period	1,772,507	3,251,676
Loans and advances written off	(7,343,372)	-
Closing balance	**2,285,276**	**7,856,141**

13 LOANS AND ADVANCES RELATING TO FURNITURE CUSTOMERS

Gross furniture loans	1,622,598	18,752,538
Allowance for credit losses	-	(15,460,487)
Net loans and advances relating to furniture customers	**1,622,598**	**3,292,051**
Reconciliation of loans and advances relating to Furniture Customers:		
Opening balance	3,292,051	10,319,007
Gross furniture loans	18,752,538	25,865,079
Allowance for credit losses	(15,460,487)	(15,546,072)
Collections/recoveries	(1,192,560)	(7,112,541)
Impairment charge for the year	(476,893)	-
Reversal of allowances for credit losses	-	85,585
Write-off of loans and advances	(15,937,380)	-
Utilisation of provisions	15,937,380	-
Closing balance	**1,622,598**	**3,292,051**
Gross furniture loans	1,622,598	18,752,538
Allowance for credit losses	-	(15,460,487)

14 FINANCIAL ASSETS HELD-TO-MATURITY

	29 February 2016 US$	28 February 2015 US$
Reserve Bank of Zimbabwe Bonds and Treasury Bills:		
Opening Balance	33,699,848	4,088,444
Additions	25,500,000	30,000,000
Repayments received on maturity	(16,005,662)	(1,750,388)
Accrued interest	2,639,867	1,361,792
Closing balance	**45,834,053**	**33,699,848**

15 OTHER RECEIVABLES

Sundry debtors	3,342,805	3,257,113
Amounts due from related parties	10,102,089	1,774,997
	13,444,894	**5,032,110**

16 INVESTMENT PROPERTY

	29 February 2016 US$	28 February 2015 US$
Opening Balance	3,430,267	3,276,586
Transfer to property and equipment	(1,200,000)	-
Transfer from loans and advances	2,100,000	495,270
Fair value adjustments	317,639	(340,886)
Disposals	-	(703)
Closing balance	**4,647,906**	**3,430,267**

Investment property comprises buildings and undeveloped residential land.

Investment property is stated at fair value, which has been determined based on valuations performed by an accredited independent valuer, as at 29 February 2016. The professional independent valuer considered comparable market evidence based on lease and purchase transactions of similar buildings and residential stands. There was no rental income received during the period on investment property.

Reconciliation of fair value:

	Investment properties	
	Office properties US$	Residential stands US$
Opening Balance	1,749,114	1,681,153
Transfer to property and equipment	(1,200,000)	-
Transfer from Loans and Advances	-	2,100,000
Remeasurement recognised in profit or loss	310,886	6,753
Closing Balance	**860,000**	**3,787,906**

Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Significant observable inputs	Range (weighted average)
Office properties	Implicit investment approach (Refer below)	Comparable rentals per month, per sqm	$5 - $9
Residential stands	Market value of similar properties (Refer below)	Comparable rate per sqm	$20- $26

In arriving at the market value for office property, the implicit investment approach was applied based on the capitalisation of income. This method is based on the principle that rentals and capital values are inter-related, hence, given the income produced by a property, its capital value can be estimated. Comparable rentals inferred from properties within the locality of the property based on use, location, size and quality of finishes were used. The rentals were then adjusted per square metre to the lettable areas, being rentals achieved for comparable properties as at 29 February 2016. The rentals are then annualised and a capitalisation factor is applied to arrive at the market value of the property, also inferring on comparable premises which are in the same category as regards the building elements.

In assessing the market value of the residential stands, values of various properties that had been recently sold or which are currently on sale and situated in comparable residential areas were used. Market evidence from other Estate Agents and local press was also taken into consideration.

17 PROPERTY AND EQUIPMENT

	Land and Buildings US$	Leasehold Improvements US$	Furniture and Fittings US$	Office Equipment US$	Computer Equipment US$	Motor Vehicles US$	Work in Progress US$	Total US$
At Cost or Valuation:								
28 February 2014	-	-	3,503,854	1,412,008	2,127,835	494,612	234,847	7,773,156
Additions	-	-	95,289	224,813	154,253	-	2,243,124	2,717,479
Transfer from Work-in-Progress	-	1,057,715	15,838	65,168	1,318,771	-	(2,457,492)	-
Transfers from Furniture & Fittings	-	712,123	(712,123)	-	-	-	-	-
Disposals	-	-	-	-	-	(42,000)	-	(42,000)
28 February 2015	-	1,769,838	2,902,858	1,701,989	3,600,859	452,612	20,479	10,448,635
Additions	68,238	8,946	95,424	73,431	559,239	-	347,971	1,153,249
Transfer from Investment Property	1,200,000	-	-	-	-	-	-	1,200,000
Transfer from Work-in-Progress	49,745	97,819	-	-	24,514	-	(172,078)	-
Revaluation	(79,169)	-	-	-	-	-	-	(79,169)
29 February 2016	1,238,814	1,876,603	2,998,282	1,775,420	4,184,612	452,612	196,372	12,722,715
Accumulated depreciation and impairment:								
28 February 2014	-	-	1,063,490	766,192	1,278,356	93,505	-	3,201,543
Depreciation charge for the year	-	85,547	265,678	264,221	467,288	86,598	-	1,169,332
Disposals	-	-	-	-	-	(11,667)	-	(11,667)
Impairment	-	42,003	1,061,277	325,395	493,941	206,953	-	2,129,569
28 February 2015	-	127,550	2,390,445	1,355,808	2,239,585	375,389	-	6,488,777
Depreciation charge for the year	1,814	316,665	68,281	131,221	408,193	44,380	-	970,554
Impairment	-	119,286	-	-	277,277	-	-	396,563
29 February 2016	1,814	563,501	2,458,726	1,487,029	2,925,055	419,769	-	7,855,894
Net carrying amount:								
At 29 February 2016	1,237,000	1,313,102	539,556	288,391	1,259,557	32,843	196,372	4,866,821
At 28 February 2015	-	1,642,288	512,413	346,181	1,361,274	77,223	20,479	3,959,858

18 INTANGIBLE ASSETS

	Computer software US$	Current work in progress US$	Total US$
Cost:			
28 February 2014	6,112,737	2,321,284	8,434,021
Additions	3,034	461,081	464,115
Transfer from Work-in-Progress	1,540,181	(1,540,181)	-
28 February 2015	7,655,952	1,242,184	8,898,136
Additions	371,888	451,435	823,323
Transfer from Work-in-Progress	276,477	(276,477)	-
29 February 2016	8,304,317	1,417,142	9,721,459

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18 INTANGIBLE ASSETS (Continued)

	Computer software US$	Current work in progress US$	Total US$
Accumulated amortisation and impairment:			
28 February 2014	**2,846,538**	-	**2,846,538**
Amortisation charge for the year	358,663	-	358,663
28 February 2015	**3,205,201**	-	**3,205,201**
Amortisation charge for the year	275,077	-	275,077
Impairment	2,824	16,010	18,834
29 February 2016	**3,483,102**	**16,010**	**3,499,112**
Net carrying amount:			
At 29 February 2016	**4,821,215**	**1,401,132**	**6,222,347**
At 28 February 2015	**4,450,751**	**1,242,184**	**5,692,935**

Intangible assets pertain to computer software. The Bank uses the expected usage of the asset to determine the useful life of intangible assets.

19 SHARE CAPITAL AND SHARE PREMIUM

	29 February 2016 No. of shares	28 February 2015 No. of shares	2016 US$	2015 US$
Authorised				
Ordinary shares of $0.0000001 each	70,000,000,000	70,000,000,000	7,000	7,000
10% Irredeemable non-cumulative preference shares of US$1 each	10,000	10,000	10,000	10,000
			17,000	17,000
Issued				
Ordinary shares of $0.0000001 each	471,707,887	471,707,887	47	47
10% Irredeemable non-cumulative preference shares of US$1 each	4,030	4,030	4,030	4,030
			4,077	4,077

Subject to the provisions of section 183 of the Companies Act (Chapter 24:03), the unissued shares are under the control of the directors.

Movements in share capital and share premium:

	No. of ordinary shares	No. of preference shares	Share capital US$	Share premium US$	Total US$
28 February 2014	471,707,887	4,030	4,077	106,317,629	106,321,706
28 February 2015	471,707,887	4,030	4,077	106,317,629	106,321,706
29 February 2016	**471,707,887**	**4,030**	**4,077**	**106,317,629**	**106,321,706**

20 OTHER RESERVES

	Revaluation surplus US$	Regulatory reserve US$	Total US$
28 February 2014	**26,856**	**1,885,794**	**1,912,650**
Impairment allowance for loans and advances	-	3,314,870	**3,314,870**
28 February 2015	26,856	5,200,664	**5,227,520**
Reversal owing to loss on revaluation of property	(26,856)	-	(26,856)
Impairment allowance for loans and advances	-	(251,000)	**(251,000)**
29 February 2016	**-**	**4,949,664**	**4,949,664**

Revaluation surplus
This reserve represents the surplus arising from the revaluation of property.

Regulatory reserve
This reserve caters for excess credit loss provisions that result from calculation of impairments on loans and receivables according to the expected loss model as required per Reserve Bank of Zimbabwe regulations.

21 DEPOSITS DUE TO BANKS AND CUSTOMERS

	29 February 2016 US$	28 February 2015 US$
Due to customers		
Current accounts	71,824,624	58,180,228
Term deposits	20,825,353	29,505,084
	92,649,977	**87,685,312**

At 29 February 2016, approximately $30.5 million or 32.9% of the Bank's deposits due to customers (At 28 February 2015: $22.6 million or 25.8% of deposits) represents balances owed to a related party entity in the telecommunications sector.

A concentration of risk therefore exists in the event that the business of the counterparty is adversely affected by changes in economic or other conditions. However, at 29 February 2016 the Bank's management was not aware of any economic or other conditions that may adversely affect the business of the counterparty.

21.1 Maturity analysis of deposits

Less than one month	78,128,644	58,180,228
1 to 3 months	14,521,333	29,505,084
	92,649,977	**87,685,312**

21.2 Sectorial analysis of deposits

	29 February 2016 US$	%	28 February 2015 US$	%
Financial	353,198	0.4%	4,077,478	4.7%
Transport and telecommunications	73,702,449	79.5%	50,787,953	57.9%
Mining	48,803	0.1%	17,355	0.0%
Manufacturing	203,211	0.2%	554,742	0.6%
Agriculture	84,500	0.1%	181,461	0.2%
Distribution	310,145	0.3%	417,577	0.5%
Services	3,896,976	4.2%	14,455,715	16.5%
Government and parastatals	2,465,565	2.7%	4,223,936	4.8%
Individuals	10,983,686	11.9%	12,032,189	13.7%
Other	601,444	0.6%	936,906	1.1%
	92,649,977	**100%**	**87,685,312**	**100%**

22 LOANS AND BORROWINGS

	29 February 2016 US$	28 February 2015 US$
Lines of credit	3,565,302	8,840,300
	3,565,302	**8,840,300**

22.1 Maturity profile of loans and borrowings

	29 February 2016 US$	28 February 2015 US$
Less than one month	1,499,500	181,500
1 to 6 months	682,623	4,600,800
6 months to 1 year	1,203,092	2,517,000
1 to 5 years	180,087	1,541,000
	3,565,302	**8,840,300**

23 FAIR VALUES MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 29 February 2016:

			Fair value measurement using:		
Assets measured at fair value:	**Date of Valuation**	**Total US$**	**Quoted prices in active markets (Level 1) US$**	**Significant observable inputs (Level 2) US$**	**Significant unobservable inputs (Level 3) US$**
Investment property (Note 16)					
Residential stands	29 February 2016	**3,787,906**	-	3,787,906	-
Office buildings	29 February 2016	**860,000**	-	860,000	-
Total Investment property		**4,647,906**	-	**4,647,906**	-
Quoted equity shares (Note 11)					
Telecommunications sector	29 February 2016	**279,755**	279,755	-	-

Fair value hierarchy for financial instruments measured at fair value as at 28 February 2015

			Fair value measurement using:		
Assets measured at fair value:	**Date of Valuation**	**Total US$**	**Quoted prices in active markets (Level 1) US$**	**Significant observable inputs (Level 2) US$**	**Significant unobservable inputs (Level 3) US$**
Investment property					
Residential stands	28 February 2015	**1,681,153**	-	1,681,153	-
Office buildings	28 February 2015	**1,749,114**	-	1,749,114	-
Total Investment property		**3,430,267**	-	3,430,267	-
Quoted equity shares					
Telecommunications sector	28 February 2015	**14,538,537**	14,538,537	-	-

Fair value hierarchy
The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique;
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

FAIR VALUES OF FINANCIAL INSTRUMENTS
The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

-Cash and cash equivalents, loans and advances, deposits and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 29 February 2016, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- The fair value of unquoted instruments, loans from banks and other financial liabilities and obligations under finance leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair value of financial assets at fair value through profit or loss are derived from quoted market prices in active markets.

	29 February 2016 Carrying amount US$	29 February 2016 Fair value US$	28 February 2015 Carrying amount US$	28 February 2015 Fair value US$
Financial assets				
Cash and cash equivalents	24,553,452	24,553,452	23,755,668	23,755,668
Financial assets at fair value through profit or loss	279,755	279,755	14,538,537	14,538,537
Loans and advances to customers	56,324,976	56,324,976	59,547,175	59,547,175
Loans and advances relating to furniture customers	1,622,598	1,622,598	3,292,051	3,292,051
Financial assets held to maturity	45,834,053	45,834,053	33,699,848	33,699,848
Other receivables	13,444,894	13,444,894	5,032,110	5,032,110
	142,059,728	**142, 059,728**	**139,865,389**	**139,865,389**
Financial liabilities				
Deposits due to banks and customers	92,649,977	92,649,977	87,685,312	87,685,312
Loans and borrowings	3,565,302	3,565,302	8,840,300	8,840,300
	96,215,279	**96,215,279**	**96,525,612**	**96,525,612**

24 PROVISIONS

	29 February 2016 US$	28 February 2015 US$
Provisions	**223,340**	**788,389**

	Leave pay and provision for demolition costs US$	Total US$
Balance at 28 February 2015	**788,389**	**788,389**
Current provision	361,513	361,513
Amount utilised	(926,562)	(926,562)
Balance at 29 February 2016	**223,340**	**223,340**

25 OTHER LIABILITIES

Sundry creditors and accruals	**3,362,879**	**3,815,498**

26 DEFERRED TAX LIABILITY/(ASSET)

	Accelerated wear and tear US$	Fair value adjustments US$	Assessed losses US$	Other US$	Total US$
At 28 February 2015	**1,981,567**	**(197,700)**	**(7,028,047)**	**(6,443,134)**	**(11,687,314)**
Charge/(Credit) to profit for the year	(1,355,632)	707,281	(3,906,272)	5,345,753	791,130
At 29 February 2016	**625,935**	**509,581**	**(10,934,319)**	**(1,097,381)**	**(10,896,184)**

27 RELATED PARTY DISCLOSURES

	29 February 2016 US$	28 February 2015 US$
Compensation of key management personnel of the Bank:		
Short-term benefits	2,059,435	4,147,746
	2,059,435	**4,147,746**

28 CORPORATE GOVERNANCE

The Board meets at least on a quarterly basis in order to assess risk, review performance and provide guidance to management on both operational and policy issues. The Board is supported by a mandatory committee in executing its responsibilities.

28.1 Main Board

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*O Fashina	4	4	4
C Maswi	4	4	4
J Mungoshi	4	4	4
T Mpofu	4	4	4
J H Gould	4	4	3
K Akosah-Bempah	4	4	4
N N Chadehumbe	4	4	4
P M Mbizvo	4	4	4
K V Chirairo	4	4	4
**L S Mambondiani	2	2	2

* Chairman
** Appointed effective 4 October 2015

28.2 Risk and Compliance Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*N N Chadehumbe	7	7	7
T Mpofu	7	7	6
P M Mbizvo	7	7	7

* Chairman

28.3 Audit Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
* K Akosah-Bempah	6	6	6
C Maswi	6	6	6
N N Chadehumbe	6	6	6

* Chairman

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28 CORPORATE GOVERNANCE (Continued)

28.4 Credit Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*J Mungoshi	4	4	4
O Fashina	4	4	4
J H Gould	4	4	3
C Maswi	4	4	4
* Chairman			

28.5 Assets and Liabilities Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*C Maswi	4	4	4
T Mpofu	4	4	3
K Akosah-Bempah	4	4	4
P M Mbizvo	4	4	4
* Chairman			

28.6 ICT Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*J Mungoshi	4	4	3
J H Gould	4	4	3
N N Chadehumbe	4	4	4
* Chairman			

28.7 Remuneration and Nominations Committee

Name of director	Number of meetings held	Meetings required to attend	Meetings attended
*J Mungoshi	4	4	4
J H Gould	4	4	2
P M Mbizvo	4	4	4
O Fashina	4	4	4
* Chairman			

29 RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk,strategic risk, reputational risk and market risk. It is also subject to country risk and various operating risks.

29.1 Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The following tables analyse credit risk exposure to loans and advances in detail:

	Neither past due nor impaired					
	High grade US$	Standard grade US$	Sub-standard US$	Past due but not impaired US$	Individually impaired US$	Total US$
At 29 February 2016:						
Individuals	14,646,434	963,493	787,569	1,888,175	1,782,985	**20,068,656**
Mining	248,755	14,773	-	68,367	-	**331,895**
Manufacturing	-	-	28,831,958	-	95,451	**28,927,409**
Agriculture	2,116,166	228,498	-	90,717	388,058	**2,823,439**
Distribution	532,412	96,480	-	185,582	14,541	**829,015**
Services	3,913,672	-	543,787	3,198,110	4,241	**7,659,810**
	21,457,439	**1,303,244**	**30,163,314**	**5,430,951**	**2,285,276**	**60,640,224**
At 28 February 2015:						
Individuals	14,952,872	888,042	725,895	815,261	2,568,412	**19,950,482**
Mining	89,133	2,159,276	-	-	524,561	**2,772,970**
Manufacturing	26,122,567	52,145	-	7,437,836	754,125	**34,366,673**
Agriculture	1,367,404	1,280,384	-	300,412	952,145	**3,900,345**
Distribution	1,706,100	164,848	-	-	542,311	**2,413,259**
Services	3,010,517	-	200,501	-	2,514,587	**5,725,605**
	47,248,593	**4,544,695**	**926,396**	**8,553,509**	**7,856,141**	**69,129,334**

29.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non–trading interest rate gaps for stipulated periods. The Bank's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The table below summaries the Bank's interest rate risk exposure:

TOTAL POSITION At 29 February 2016	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	-	-	-	-	24,553,452	**24,553,452**
Financial assets at fair value through profit or loss	-	-	-	-	279,755	**279,755**
Loans and advances to customers	2,363,276	1,359,985	12,964,132	37,836,114	1,801,469	**56,324,976**
Loans and advances relating to furniture customers	1,622,598	-	-	-	-	**1,622,598**
Financial assets held-to-maturity	3,304,921	10,588,507	27,562,383	4,378,242	-	**45,834,053**
Other receivables	-	-	-	-	13,444,894	**13,444,894**
Investment property	-	-	-	-	4,647,906	**4,647,906**
Property and equipment	-	-	-	-	4,866,821	**4,866,821**
Intangible assets	-	-	-	-	6,222,347	**6,222,347**
Deferred tax Asset	-	-	-	-	10,896,184	**10,896,184**
	7,290,795	**11,948,492**	**40,526,515**	**42,214,356**	**66,712,828**	**168,692,986**
Liabilities and equity						
Deposits due to banks and customers	71,824,624	20,825,353	-	-	-	**92,649,977**
Loans and borrowings	1,499,500	682,623	1,203,092	180,087	-	**3,565,302**
Provisions	-	-	-	-	223,340	**223,340**
Other liabilities	-	-	-	-	3,362,879	**3,362,879**
Equity	-	-	-	-	68,891,488	**68,891,488**
	73,324,124	**21,507,976**	**1,203,092**	**180,087**	**72,477,707**	**168,692,986**
Interest rate repricing gap	**(66,033,329)**	**(9,559,484)**	**39,323,423**	**42,034,269**	**(5,764,879)**	**-**
Cumulative gap	**(66,033,329)**	**(75,592,813)**	**(36,269,390)**	**5,764,879**	**-**	**-**

TOTAL POSITION At 28 February 2015	Up to 1 month US$	1 month to 3 months US$	3 months to 1 year US$	1 to 5 years US$	Non-interest bearing US$	Total US$
Assets						
Cash and cash equivalents	-	-	-	-	23,755,668	**23,755,668**
Financial assets at fair value through profit or loss	-	-	-	-	14,538,537	**14,538,537**
Loans and advances to customers	39,836,416	2,768,796	672,577	2,107,766	14,161,620	**59,547,175**
Loans and advances relating to furniture loans	3,292,051	-	-	-	-	**3,292,051**
Financial assets held to maturity	-	-	15,522,683	18,177,165	-	**33,699,848**
Other receivables	-	-	-	-	5,032,110	**5,032,110**
Property and equipment	-	-	-	-	3,959,858	**3,959,858**
Investment property	-	-	-	-	3,430,267	**3,430,267**
Intangible assets	-	-	-	-	5,692,935	**5,692,935**
Deferred tax asset	-	-	-	-	11,687,314	**11,687,314**
	43,128,467	**2,768,796**	**16,195,260**	**20,284,931**	**82,258,309**	**164,635,763**
Liabilities and equity						
Deposits due to banks and customers	58,180,228	29,505,084	-	-	-	**87,685,312**
Loans and borrowings	181,500	4,600,800	2,517,000	1,541,000	-	**8,840,300**
Provisions	-	-	-	-	788,389	**788,389**
Other liabilities	-	-	-	-	3,815,498	**3,815,498**
Equity	-	-	-	-	63,506,264	**63,506,264**
	58,361,728	**34,105,884**	**2,517,000**	**1,541,000**	**68,110,151**	**164,635,763**
Interest rate repricing gap	**(15,233,261)**	**(31,337,088)**	**13,678,260**	**18,743,931**	**14,148,158**	**-**
Cumulative gap	**(15,233,261)**	**(46,570,349)**	**(32,892,089)**	**(14,148,158)**	**-**	**-**

29.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

29.3.1 Liquidity ratios

	29 February 2016 US$	28 February 2015 US$
Loans to deposits ratio	67%	105%
Net liquid assets to customer liabilities ratio	72%	56%

29.3.2 Contractual maturities of undiscounted cash flows of financial assets and liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

29.3.3 Contractual maturities of undiscounted cash flows of financial assets and liabilities

	On demand US$	Less than 3 months US$	3 months to 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
At 29 February 2016:						
Financial assets:						
Cash and cash equivalents	24,553,452	-	-	-	-	**24,553,452**
Financial assets at fair value through profit or loss	279,755	-	-	-	-	**279,755**
Loans and advances to customers	2,363,276	1,359,985	12,964,132	42,151,361	1,801,470	**60,640,224**
Loans and advances relating to furniture customers	1,622,598	-	-	-	-	**1,622,598**
Financial assets held-to-maturity	3,304,921	10,588,507	27,562,383	4,378,242	-	**45,834,053**
Other receivables	13,444,894	-	-	-	-	**13,444,894**
Total undiscounted financial assets	**45,568,896**	**11,948,492**	**40,526,515**	**46,529,603**	**1,801,470**	**146,374,976**
Financial liabilities:						
Deposits due to banks and customers	71,824,624	20,825,353	-	-	-	**92,649,977**
Loans and borrowings	1,499,500	682,623	1,203,092	180,087	-	**3,565,302**
Total undiscounted financial liabilities	**73,324,124**	**21,507,976**	**1,203,092**	**180,087**	**-**	**96,215,279**
Net undiscounted financial assets/ (liabilities)	**(27,755,228)**	**(9,559,484)**	**39,323,423**	**46,349,516**	**1,801,470**	**50,159,697**

	On demand US$	Less than 3 months US$	3 months to 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
At 28 February 2015:						
Financial assets:						
Cash and cash equivalents	23,755,668	-	-	-	-	**23,755,668**
Financial assets at fair value through profit or loss	14,538,537	-	-	-	-	**14,538,537**
Loans and advances to customers	41,562,434	2,768,796	2,780,343	16,760,627	5,257,134	**69,129,334**
Loans and advances relating to furniture loans	18,752,538	-	-	-	-	**18,752,538**
Financial assets held-to-maturity	-	-	15,522,683	18,177,165	-	**33,699,848**
Other receivables	5,032,110	-	-	-	-	**5,032,110**
Total undiscounted financial assets	**103,641,287**	**2,768,796**	**18,303,026**	**34,937,792**	**5,257,134**	**164,908,035**
Financial liabilities:						
Deposits due to banks and customers	58,180,228	29,505,084	-	-	-	**87,685,312**
Loans and borrowings	181,500	4,600,800	2,517,000	1,541,000	-	**8,840,300**
Total undiscounted financial liabilities	**58,361,728**	**34,105,884**	**2,517,000**	**1,541,000**	**-**	**96,525,612**
Net undiscounted financial assets/ (liabilities)	**45,279,559**	**(31,337,088)**	**15,786,026**	**33,396,792**	**5,257,134**	**68,382,423**

29.3.4 Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	29 February 2016 US$	28 February 2015 US$
Financial guarantees	-	40,313,388
Commitments to lend	231,681	-
	231,681	**40,313,388**

29.4 OTHER RISKS

29.4.1 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

29.4.2 Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, law, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the institution to fines and payment of damages. Compliance risk can lead to diminished reputation, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. The Internal Audit and the Risk Department ensure that the Bank fully complies with all relevant laws and regulations.

29.4.3 Reputational risk

Reputational risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the institution's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the institution to litigation, financial loss, or a decline in its customer base. The Bank has a Business Development department whose mandate is to manage this risk.

AUDITED ABRIDGED FINANCIAL STATEMENTS

for the year ended 29 February 2016

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (continued)
For the year ended 29 February 2016

29 RISK MANAGEMENT (Continued)

29.5 Reserve Bank Ratings

The Reserve Bank of Zimbabwe conducted an onsite inspection of the Bank in November 2014 and the final ratings that were determined on the Entity are detailed below:

29.5.1 CAMELS* Ratings

CAMELS Component	RBS** Ratings 30/11/2014
Capital Adequacy	1 - Strong
Asset Quality	4 - Weak
Management	2 - Satisfactory
Earnings	4 - Weak
Liquidity	2 - Satisfactory
Sensitivity to Market Risk	2 - Satisfactory
Composite Rating	3 - Fair

*CAMELS is an acronym for Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk. The CAMELS rating system uses a scale of 1-5, where “1” is “Strong”, “2” is “Satisfactory”, “3” is “Fair”, “4” is “Weak” and “5” is “Critical”.

** RBS stands for Risk-Based Supervision

29.5.2 Summary risk matrix – 30 November 2014 onsite examination

Type of Inherent Risk	Level of Inherent Risk	Adequacy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Acceptable	High	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Interest Rate	Low	Acceptable	Low	Stable
Foreign Exchange	Low	Acceptable	Low	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance Risk	Moderate	Acceptable	Moderate	Stable
Reputational Risk	Moderate	Acceptable	Moderate	Stable
Overall	**Moderate**	**Acceptable**	**Moderate**	**Stable**

KEY
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 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 which could be absorbed by a banking institution in the normal course of business.

High – reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in significant and harmful loss to the banking institution.

Adequacy of Risk Management Systems:

Weak – risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution’s risk management systems are lacking in important ways and therefore a cause of more than normal supervisory attention.

The internal control systems will be lacking in important aspects particularly as indicated by continued control exceptions or by the failure to adhere to written policies or procedures.

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

Strong – management effectively identifies and controls all types of risk posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are put in place. The policies comprehensively define the bank’s risk tolerance, 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 systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in 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 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.

30 CAPITAL MANAGEMENT

The objective of the Bank’s capital management is to ensure that it complies with the Reserve Bank of Zimbabwe (RBZ) requirements. In implementing the current capital requirements, the RBZ requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets. Risk weighted assets are arrived at by applying the appropriate risk factor as determined by the RBZ to the monetary value of the various assets as they appear on the Bank’s statement of financial position.

Regulatory capital consists of:

- Tier 1 Capital (“the core capital”), which comprises of share capital, share premium, retained earnings (including the current year profit or loss), the statutory reserve and other equity reserves.

The core capital shall comprise not less than 50% of the capital base and portfolio provisions are limited to 1.25% of total risk weighted assets.

- Tier 2 Capital (“supplementary capital”), which includes subordinated term debt, revaluation reserves and portfolio provisions.

- Tier 3 Capital (“tertiary capital”) relates to an allocation of capital to meet market and operational risks.

The Bank’s regulatory capital position was as follows:

	29 February 2016 US$	28 February 2015 US$
Share capital	4,077	4,077
Share premium	106,317,629	106,317,629
Accumulated loss	(42,379,882)	(48,042,962)
Deferred tax asset	(10,896,184)	(11,687,314)
	53,045,640	46,591,430
Less: Capital allocated for market and operational risk	(2,399,213)	(2,400,917)
Advances to insiders	(12,003,802)	(1,774,997)
Guarantees to insiders	-	(88,389)
Tier 1 capital	**38,642,625**	**42,327,127**
Tier 2 capital		
Other reserves	-	26,856
General provisions	4,949,664	5,200,663
	4,949,664	**5,227,519**
Total Tier 1 and 2 capital	**43,592,289**	**47,554,646**
Tier 3 capital (sum of market and operational risk capital)	2,399,213	2,400,917
Total Capital Base	**45,991,502**	**49,955,563**
Total risk weighted assets	**124,996,437**	**141,325,266**
Tier 1 ratio	31%	30%
Tier 2 ratio	4%	4%
Tier 3 ratio	2%	1%
Total capital adequacy ratio	**37%**	**35%**
RBZ minimum requirement	**12%**	**12%**

31 EXTERNAL CREDIT RATINGS

	Most recent rating: September 2015	Previous rating: September 2014	Previous rating: December 2013
Rating agent: Global Credit Rating Co (GCR)	BBB-	BBB-	BBB-

32 GOING CONCERN

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