

# UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014



A member of the NEDBANK Group

## Financial highlights

Loans and advances up by 29% to US\$100.385 million from 31 December 2013.	↑
Total deposits up by 22% to US\$160.178 million from 31 December 2013.	↑
Shareholders' funds up by 6% to US\$33.574 million from 31 December 2013 through organic growth (regulatory minimum is \$25 million).	↑
Loans / deposits ratio up to 63% from 59% as at 31 December 2013	↑
Cost to income ratio up to 79% as at June 2014 from 76% recorded same period last year.	↓
Profit after tax down by 11% to US\$1.866 million from US\$2.104 million recorded same period last year.	↓
Liquidity ratio down to 59% from 69% as at 31 December 2013.	↓
Ratio above regulatory minimum of 30%	

## CHAIRMAN'S STATEMENT

### Economic overview

The economy continues to be subdued as confirmed by a growth rate of only 3.4% recorded in 2013. Tight liquidity conditions continue to persist and demand deposits remain above 70% of the total market deposits. The Bank has, however, positioned itself to take advantage of the limited opportunities that exist in the market through growing the loan book without unduly increasing the risk to the Bank by targeting quality assets. The thrust to move towards a bank for all model supported by an expanding branch network should see the Bank increase its deposit base as branches are located closer to our clients

### Performance

In spite of the economic challenges in the country the Bank has continued to respond positively to the need to provide financing to local industries demonstrated by a significant increase in loans and advances of 29% from December 2013. Despite the growth in the loan book, the non-performing loan ratio as at 30 June 2014 remained relatively low at 2.65% against an industry average of around 18% demonstrating the quality of our loan book in an extremely challenging economy. The Bank's investment in new branches and new product offerings has yielded positive results as demonstrated by the growth in deposits of 22%.

### Indigenisation

The Bank's indigenisation plan was acknowledged by Government and management is currently finalising the operational modalities prior to implementation.

### Capitalisation

As at 30 June 2014, the Bank was compliant with the regulatory requirements regarding capitalisation levels. The Bank submitted a plan to the Reserve Bank of Zimbabwe on how it intends to achieve the minimum capital requirement of US\$100 million by 31 December 2020. The Board will continue to assess the capital position in order to ensure that capital resources are adequate to meet business demands and that the Bank remains compliant with regulatory requirements.

### Corporate Social Investment

In February 2014, the Tokwe-Mukosi area was affected by floods. MBCA Bank assisted the flood victims by drilling a borehole at a school and also donating clothing items for the flood victims at Chingwizi camp. The Bank also donated doors to St Joseph Home for boys in Harare for a housing project aimed at building a hostel for 55 boys who have been abandoned, marginalized and disadvantaged in the community. The house is aimed at empowering these less privileged young adults to be independent by providing them with shelter while they are being equipped with different skills and the knowledge they need to earn a decent living.

The Bank continues to invest in the future generation and to offer mentorship and guidance to students in Zimbabwe. Junior Achievement has been sponsored for the third consecutive year. The students under the MBCA funded Junior Achievement programmes were given an opportunity to visit the Bank and experience life in a business setting. The Bank also sponsored the Mutare Teen Expo for the second consecutive year.

### Board of Directors

Following alignment of the Board of Directors with Nedbank Group standards and compliance with governance relating to the retirement of directors, we advise of the following changes to the Board:

- Mrs Juliet Irene Harris retired from the Board with effect from 18 March 2014 after successfully completing her three terms as an independent director of the Bank. Juliet joined the Board as an independent director in February 2005;
- Mr Joram Matsvimbo stepped down as an Executive Director of MBCA Bank Limited with effect from 18 March 2014. Joram remains a member of the Executive Management of the Bank in his current role as Head of Business Development and Institutional Banking;
- Mr Antony Makonese was appointed Executive Director responsible for Finance with effect from 25 March 2014. Antony joined the MBCA Executive Team in April 2011 as the Chief Finance Officer; and
- Mr Albert M. Sorgdrager resigned from the Board with effect from 30 July 2014. He was representing Nedbank Group Limited ("Group") on the MBCA Bank Limited Board of Directors. Following his resignation, the Bank appointed Messrs Jan Adriaan du Plessis and Richard William Reeves Buchholz as Non Executive Directors representing the Group with effect from 30 July 2014.

On behalf of the Board, I would like to thank the outgoing directors for their contributions during their tenure of office and welcome the incoming directors.

### Outlook

The Bank maintains a positive view of the future and has thus positioned itself to take advantage of opportunities that may be available. Where these opportunities cannot be funded from our balance sheet, the Bank will use the existing lines of credit from regional and international financial institutions namely Afreximbank and Commerzbank. In addition the Bank's clients will continue to access direct lending from the Nedbank Group.

### Appreciation

I extend my appreciation to our valued clients who continue to support the Bank.

I would also like to recognise the entire Board for the diligent service and support it has rendered in the first half of 2014. The management team and staff have also displayed outstanding commitment and contribution over the period under review.

I thank the Reserve Bank of Zimbabwe for the continued regulatory support provided during the period to 30 June 2014.

**V W Zireva**  
Chairman  
15 August 2014

## MANAGING DIRECTOR'S REPORT

### Profitability

In line with challenges being experienced by various companies in the market, the Bank recorded a profit after tax of US\$1.866 million, which was 11% down from US\$2.104 million reported in the same period last year.

Total income for the period, at US\$11.503 million, declined from US\$11.963 million reported during the same period last year. This reflected declining economic activity which saw a number of companies either downsizing or closing down. Total income for the six months to 30 June 2014 was made up of US\$5.656 million net interest income and US\$6.393 million, non interest income. Non interest income recorded a 7% decline from the same period last year due to lower utilisation of an off balance sheet line of credit.

Total operating expenses decreased slightly by 1% from US\$9.129 million in prior year to US\$9.037 million due to the results of the cost management initiatives and deflation experienced in the economy during the first half of 2014. The Bank will continue with its cost management initiatives given the deflationary environment it is operating in.

### Balance Sheet

The quality of the loan book remained good over the period. The Bank's net loans and advances to clients were 29% up from December 2013 to US\$100.385 million. This increase in the loan book was largely due to facilities to new clients and increased utilisation by existing clients. Total deposits grew by 22% to US\$160.178 million from 31 December 2013. Consequently the loans to deposit ratio increased to 63% compared to 59% reported, as at 31 December 2013.

The Bank's credit loss ratio of 2.62% (2.38%:31 December 2013) as at 30 June 2014 and non performing loans ratio of 2.65% (2.73%: 31 December 2013) have remained significantly lower than the market average. This is as a result of robust credit risk and monitoring processes that the Bank continues to apply.

## MANAGING DIRECTOR'S REPORT (continued)

### Balance Sheet (continued)

The Bank received Treasury Bills from the Government of Zimbabwe relating to customer balances that were transferred to the Reserve Bank of Zimbabwe in 2008, for the benefit of customers. The Bank continued to access the lines of credit from international financial institutions such as Afreximbank and Commerzbank while the Bank's qualifying clients continued to have the Nedbank line at their disposal.

### Client Focus

In line with the strategy to improve access to branches by its clients, the Bank opened an outlet in Kwekwe in July 2014. The Bank also launched the Mobile banking product on 27 May 2014 for the convenience of its clients. The Bank continues to work on developing and introducing new value propositions for the benefit of its clients.

### Human Capital

The Bank continued to invest in its human capital through leadership and management development programmes during the period under review. In addition, technical support and training programmes were provided to our employees throughout the bank.

### Appreciation

I thank our valued clients and shareholders for their continued support in the period to 30 June 2014. I also extend my appreciation to the Chairman, the Board and Nedbank for their leadership and wise counsel. I am grateful for the support of the MBCA team, regulatory authorities and other stakeholders.

**Dr Charity C Jinya**  
Managing Director  
15 August 2014

## RISK MANAGEMENT POLICIES

The Board of directors oversees the Bank's risk management framework and is ultimately responsible for setting risk tolerance limits and ensuring the existence of a robust risk governance framework incorporating:

- First Line of Defence - an accountable and responsible management team constitute members of the first line of defence together with the Board,
- Second Line of Defence - an effective independent risk monitoring function led by the Chief Risk Officer as well as an Enterprise Governance and Compliance function, and
- Third Line of Defence - Independent assurance provided by Internal and External Audit.

The Bank has a strong risk management culture that is embedded in the Nedbank Group's strategic framework. The Bank's Enterprise-wide Risk Management Framework (ERMF) contains the risk universe, which lists 17 risk categories with their respective risk management policies. Enterprise Risk Management (ERM) is a structured and integrated approach to risk management, aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties that the Bank faces as it strives to create shareholder value. It involves integrating risk and capital management effectively through the Bank's risk universe, business units and operating divisions.

The Bank's risk exposure remained within acceptable levels with operational risk receiving closer attention as the Bank introduces new products and prepares to migrate to a new core banking system and has broadened its target market. The Bank continues to strengthen its risk management strategies in order to remain abreast of the challenges that are presented by the economic environment. The Bank has made satisfactory progress towards Basel II compliance with work towards closing the gaps on building of stress testing models, internal credit evaluation framework, and ICAAP progressing well.

### Key Risk Exposures

The Bank's key risk exposures are as follows:

#### Credit risk

The risk arising from the probability of borrowers and/or counterparties failing to meet their repayment commitments (including accumulated interest) and in particular risks arising from impaired or problem assets and the bank's related impairments, provisions or reserves. It also includes risk arising from exposure to related persons. Credit risk has the following subrisks

- Collateral risk
- Concentration risk
- Counterparty risk
- Country risk
- Issuer risk
- Industry risk
- Settlement risk
- Transfer (sovereign) risk
- Underwriting (lending) risk; and
- Securitisation risk or re-securitisation structures

credit monitoring and review, and credit loss control. The Bank's Credit Policy, which is subject to annual review, regulates the granting of all credit facilities and aspects of credit risk management. Decisions are made through formal meetings of the Board Lending Committee, and Management Credit Committees. All facilities are risk rated whether they are on-balance sheet, off-balance sheet, personal or corporate. The Bank maintains impairment provisions to cushion the loan book against objective evidence of impairment as a result of one or more loss events if that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Loans and advances to customers are carried at amortized cost, less the impairment.

The bank continued to maintain the quality of its loan book by adhering to its credit risk management policies. The loan loss ratio compared favorably to the market average, with non-performing loans and credit loss ratios' at 2.65% and 2.62% respectively.

#### Liquidity risk

There are two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Bank is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Bank group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into longer-term loans. By fulfilling the role of maturity transformation banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks.

Concentration risk is a sub risk of liquidity risk.

The Bank remained in a sound liquidity position and was able to comfortably meet funding commitments as they fell due. The Bank was compliant with all liquidity risk limits with the prudential liquidity ratio at 59% against the regulatory threshold of 30%. Whilst market deposits remained generally short term and transitory in nature, and management continued to be conservative in deploying these into illiquid assets with sufficient buffers to support lending maintained throughout the year.

The Bank continues to put in place strategies to reduce concentration risk in its deposits bases with occasional breaches in internal limits observed at times. Stress testing results revealed that the Bank has sufficient liquid assets to meet liquidity requirements under various stress scenarios. The stress test results also provide a tool for invoking the Bank's contingent liquidity management plan to business continuity in the event of adverse shocks, particularly name in market stress situations.

#### Interest rate risk

The Bank uses sensitivity analysis to assess the vulnerability of the institution to adverse movements in interest rates. The Bank is now using interest rate risk stress testing as an integral part of the overall risk governance framework. Stress testing results impact decision making at the appropriate management levels.

Stress tests conducted for interest rate risk under various scenarios revealed that:

- A sensitivity shock of 100bp parallel decline in interest rates results in a potential net interest income loss amounting to 55% of the bank's risk tolerance limit, an exposure which has been relatively stable during the period under review.
- There is a potential increase in re-pricing gaps between assets and liabilities given the short term nature of liabilities and the tendency to go long on fixed rate assets.
- The absence of a clear market yield curve to provide a price discovery mechanism poses threats to the bank's interest margins.
- Limited availability of investment options in the market constrains the bank's ability to trade away risk in order to restructure its asset and liability profile in need.

The Bank will stretch its stress scenarios to 200bp and 300bp with effect from Q3.

#### Foreign exchange risk

Foreign exchange transaction risk is the risk that known or ascertainable currency cashflow commitments and receivables are uncovered and as a result have an adverse impact on the financial results and/or financial position of the Bank due to movements in exchange rates. It is a sub risk of market risk in the banking book. Foreign exchange transaction risk in the banking book includes:

- known or ascertainable currency cash flow commitments and receivables;
- foreign funding mismatch.

## RISK MANAGEMENT POLICIES (continued)

The Board Risk Committee has established acceptable foreign funding mismatch positions for the bank.

Foreign currency translation risk is the risk of changes in earnings or capital arising from converting the bank's offshore banking book assets or liabilities or commitments or earnings from foreign currency to local or functional currency. Since the adoption of the United States of America dollar as the functional currency, material currency exposures are predominantly in the South African Rand. Exposures are managed through notional currency position limits and compliance with Reserve Bank of Zimbabwe guidelines, which are closely monitored by market risk and ALCO. Currency translation risk is receiving greater attention in order to mitigate the impact of revaluation losses.

#### Operational risk

The risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. This includes legal risk but, excludes strategic risk and reputational risk. The event types of operational risk are:

- business disruption and system failures;
- clients, products and business practices;
- damage to physical assets;
- employment practices and workplace safety;
- execution, delivery and process management;
- external fraud;
- internal fraud;
- legal risk (legal risk is a sub category of the subrisk clients, products and business practices); and
- model risk (for economic capital purposes, model risk is a sub category of subrisk clients, products and business practices).

The MBCA Bank Operational Risk Framework includes strategies articulated in concise operational risk policies, an operational risk governance structure, operational risk monitoring, loss recording, reporting and escalation processes and risk reporting structure. Operational risk loss tolerance thresholds are set on an annual basis based on historic loss experience and management's view of the future operating environment, given controls in place. Operational risk management is embedded in the day to day activities of business units and operational departments and supported by independent risk monitoring and audit and assurance functions.

The Bank's Executive Committee, Enterprise Risk Committee (ERCO) and the various operational committees meet on a regular basis to review and ensure line functions are effectively managing this risk. The Joint Operations Forum monitors and plans all issues pertaining to information technology risk (both operational and strategic) and manages the Bank's business continuity capability. Risk and Control Self Assessments (RCSA) are now well embedded across business units. RCSA is a process for identifying and assessing, monitoring and managing key risks within a business unit and evaluating the effectiveness of the controls that are in place to manage these risks. The Bank is satisfied with the quality of operational loss recording and control in line with Basel II requirements.

The bank met its operational net loss thresholds for the six months ended 30 June 2014.

#### Compliance risk

This is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its Banking and other activities. It may also expose the Bank to loss of authorisation to operate and an inability to enforce contracts.

An independent Enterprise Governance and Compliance function is in place. Whilst individual business and operating functions are responsible and accountable for compliance management in their environments, the unit monitors and guides the Bank on compliance matters ensuring the Bank achieves full compliance in line with the Board's attitude of zero tolerance to legal or compliance breaches.

#### Strategic risk

The risk of an adverse impact on capital and earnings due to business policy decisions (made or not made), changes in the economic environment, deficient or insufficient implementation of decisions, or a failure to adapt to changes in the environment. Strategic risk is either the failure to do the right thing, doing the right thing poorly, or doing the wrong thing. Strategic risk includes:

- the risk associated with the deployment of large chunks of capital into strategic investments that subsequently fail to meet stakeholders expectations;
- the risk that the strategic processes to perform the environmental scan, align various strategies, formulate a vision, strategies, goals and objectives and allocate resources for achieving, implementing, monitoring and measuring the strategic objectives are not properly in place or are defective; and
- failure to adequately to review and understand the environment in which the bank operates leading to underperformance of its strategic and business objectives.

Brand positioning is a sub risk of strategic risk.

#### Reputational risk

The risk of impairment of the Bank's image in the community or the long-term trust placed in the Bank by its shareholders as a result of a variety of factors, such as the Bank's performance, strategy execution, brand positioning and competitiveness, ability to create shareholder value, or an activity, action or stance taken by the Bank. This may result in loss of business and/or legal action.

## CORPORATE GOVERNANCE REPORT

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and internationally generally accepted corporate governance practices on an on-going basis through the Bank.

The Board is responsible to its shareholders for setting the direction of the Bank through establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

The Board meets regularly with a minimum of four (4) scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established which are (i) Board Audit Committee, (ii) Board Risk and Compliance Committee, (iii) Board Lending Committee, (iv) Board Loans and Review Committee and Board Remuneration Committee.

During the 6 month period ended 30 June 2014, the Board and the various committees met at least twice. The attendance is as tabulated below:

#### Main Board

Members	Meeting held	
	1	2
V W Zireva	✓	✓
Dr C C Jinya	✓	✓
J P Murehwa	✓	✓
S Gwanzura	✓	✓
J I Harris	✓	R
Dr S Naik	✓	✓
J Matsvimbo	✓	R
A R Chinamo	✓	✓
J H Brits	✓	✓
A M Sorgdrager	LOA	LOA
A Makonese	A	✓

#### KEY

- ✓ - Present
- LOA - Leave of absent granted
- A - Not yet a director; appointed on 25 March 2014
- R - Retired from the Board

# UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## CORPORATE GOVERNANCE REPORT (continued)

### MBCA Bank Limited's Board Committees

	Audit			Risk and Compliance		Board Lendings		Loans and review		Remuneration	
	1	2	3	1	2	1	2	1	2	1	2
<b>Members</b>	*	*	*	*	*	*	*	*	*	*	*
V W Zireva	*	*	*	*	*	*	*	✓	✓	✓	✓
J P Murehwa	*	*	*	*	*	*	*	✓	✓	✓	✓
S Gwanzura	✓	✓	✓	*	*	✓	✓	*	*	*	*
J I Harris	*	*	*	✓	R	✓	R	*	*	*	*
Dr S Naik	*	*	*	✓	*	*	*	✓	✓	*	*
A R Chinamo	✓	✓	✓	*	*	*	*	✓	✓	*	*
J H Brits	✓	✓	✓	✓	✓	✓	✓	*	*	*	*
A M Sorgdrager	*	*	*	LOA	LOA	LOA	LOA	*	*	*	*
A du Plessis**	*	*	*	*	*	*	*	*	*	✓	✓

**KEY**

- ✓ - Present
- LOA - Leave of absent granted
- \* - Not a member
- \*\* - Nedbank Africa Managing Executive
- R - Retired from the Board

## STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

Note	Unaudited 30 June 2014 US\$	Unaudited 30 June 2013 US\$
Interest income	7 844 051	7 931 941
Interest expense	(2 187 559)	(2 379 552)
<b>Net interest income</b>	<b>5 656 492</b>	<b>5 552 389</b>
Loan impairment charge	(546 797)	(479 284)
<b>Net interest income after loan impairment charge</b>	<b>5 109 695</b>	<b>5 073 105</b>
Fee and commission income	4 484 041	5 783 859
Trading and dealing income	1 924 793	1 170 614
Trading and dealing expense	(15 687)	(64 994)
<b>Operating income for the period</b>	<b>11 502 842</b>	<b>11 962 584</b>
Employee costs	(5 151 544)	(4 656 756)
Administrative expenses	(5 268 909)	(3 748 678)
Depreciation and amortisation expenses	(312 517)	(436 875)
Other operating expenses	(304 163)	(286 639)
<b>Total operating expenses for the period</b>	<b>(9 037 133)</b>	<b>(9 128 948)</b>
<b>Profit before tax</b>	<b>2 465 709</b>	<b>2 833 636</b>
Taxation	(600 003)	(729 661)
<b>Profit for the period</b>	<b>1 865 706</b>	<b>2 103 975</b>
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1 865 706</b>	<b>2 103 975</b>

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

Note	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
<b>Assets</b>		
Cash and cash equivalents	79 056 686	74 981 855
Loans and advances to customers	100 385 209	77 583 620
Available for sale investment securities	561 937	452 241
Held to maturity investment securities	11 16 313 791	4 532 165
Other assets	14 9 911 652	18 187 752
Current tax asset	-	29 612
Intangible assets	13 272 906	290 827
Deferred tax	668 061	437 507
Property and equipment	12 3 260 172	3 193 445
<b>Total assets</b>	<b>210 430 414</b>	<b>179 689 024</b>
<b>Liabilities</b>		
Deposits from customers	15 160 178 090	151 301 814
Current tax liability	13 375	-
Other liabilities	16 16 665 294	16 679 261
<b>Total liabilities</b>	<b>176 856 759</b>	<b>147 981 075</b>
<b>Equity</b>		
Share capital	89 499	89 499
Share premium	17 784 930	17 784 930
Fair value reserve	(5 509)	(5 509)
Revaluation reserve	153 067	153 067
Retained earnings	15 551 668	13 685 962
<b>Total equity</b>	<b>33 573 655</b>	<b>31 707 949</b>
<b>Total equity and liabilities</b>	<b>210 430 414</b>	<b>179 689 024</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

	Share capital US\$	Share premium US\$	Fair value reserve US\$	Revaluation reserve US\$	Retained earnings US\$	Total US\$
<b>Balance as at 01 January 2013</b>	<b>89 499</b>	<b>17 784 930</b>	<b>56 961</b>	<b>105 227</b>	<b>9 640 970</b>	<b>27 677 587</b>
Profit for the period	-	-	-	-	2 103 975	2 103 975
<b>Balance as at 30 June 2013</b>	<b>89 499</b>	<b>17 784 930</b>	<b>56 961</b>	<b>105 227</b>	<b>11 744 945</b>	<b>29 781 562</b>
Profit for the period	-	-	-	-	1 941 017	1 941 017
Total comprehensive (loss)/income for the period	-	-	(62 470)	47 840	-	(14 630)
<b>Balance as at 01 January 2014</b>	<b>89 499</b>	<b>17 784 930</b>	<b>(5 509)</b>	<b>153 067</b>	<b>13 685 962</b>	<b>31 707 949</b>
Profit for the period	-	-	-	-	1 865 706	1 865 706
<b>Balance as at 30 June 2014</b>	<b>89 499</b>	<b>17 784 930</b>	<b>(5 509)</b>	<b>153 067</b>	<b>15 551 668</b>	<b>33 573 655</b>

## STATEMENT OF CASH FLOWS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

	Unaudited 30 June 2014 US\$	Unaudited 30 June 2013 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>2 465 709</b>	<b>2 833 636</b>
<b>Adjustments for non-cash items:</b>		
Loan impairment charges	546 797	479 284
Depreciation and amortisation of property and equipment and intangible assets	312 517	436 875
Other non cash items	15 982	(8 427)
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>3 341 005</b>	<b>3 741 368</b>
<b>Changes in operating assets and liabilities</b>		
Increase in deposits and other liabilities	28 862 309	10 236 985
Increase in gross advances, held to maturity securities and other assets	(27 120 269)	(10 285 540)
<b>Operating cash flow after changes in operating assets and liabilities</b>	<b>5 083 045</b>	<b>3 692 813</b>
Income taxes paid	(787 572)	(1 076 040)
<b>Cash generated from operating activities</b>	<b>4 295 473</b>	<b>2 616 773</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(220 642)	(84 201)
Purchase of intangible assets	-	(85 938)
<b>Cash utilised in investing activities</b>	<b>(220 642)</b>	<b>(170 139)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4 074 831</b>	<b>2 446 634</b>
Cash and cash equivalents at beginning of the period	74 981 855	66 555 694
<b>Cash and cash equivalents at end of the period</b>	<b>79 056 686</b>	<b>69 002 328</b>
<b>Comprising:</b>		
Balances with the Reserve Bank of Zimbabwe	19 719 731	18 011 247
Balances and deposits with banks and cash	59 336 955	50 991 081
<b>79 056 686</b>	<b>69 002 328</b>	

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

### 1. REPORTING ENTITY

MBCA Bank Limited ("the Bank") or ("MBCA") is a company incorporated in Zimbabwe and is a registered commercial bank primarily involved in investment, corporate and retail banking. Its parent is MBCA Holdings Limited and the ultimate controlling party is the Nedbank Group of South Africa. The address of its registered office and principal place of business is 14th floor, Old Mutual Centre, Corner Jason Moyo Avenue and Third Street, Harare, Zimbabwe.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The condensed interim financial statements have been prepared using the accounting policies consistent with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS"). The same accounting policies, presentation and methods of computation are followed in the interim financial statements as applied in the Bank's latest annual financial statements.

#### 2.2 Compliance with legal and regulatory requirements

The Bank continues to conform, in all material respects, to all laws and regulations governing its operations, including but not limited to, the Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; the Exchange Control Act (Chapter 22:05); the Bank Use Promotion and Suppression of Money Laundering Act (Chapter 24:24); the National Payments Systems Act (Chapter 24:23); the Companies Act (Chapter 24:03) as well as all Reserve Bank of Zimbabwe (RBZ) directives. The Bank subscribes to and supports most of the provisions of the Code of Best Practice as recommended by King II and III, the Cadbury Committee and the RBZ Guideline No. 01-2004/BSD on sound corporate governance.

#### 2.3 Basis of measurement

The unaudited interim condensed financial statements have been prepared on the historical cost basis except for the following:

- Available for sale financial assets measured at fair value;
- Land and buildings measured at fair value.

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 2.4 Functional and presentation currency

These financial statements are presented in US\$ which is the Bank's functional currency. Except as otherwise indicated, financial information is presented in US\$ are shown as absolute figures.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 3.1.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 3.1.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The principal temporary differences arise from interest on available for sale investments, portfolio provisions for doubtful debts, depreciation and revaluation of fixed assets.

#### 3.2 Employee benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees.

#### 3.2.1 Short-term benefits

Short-term benefits are employee benefits (other than termination benefits), that are due to be settled within twelve months after the year end of the period in which the employees render related services.

When an employee has rendered services during an accounting period, the Bank recognises the undiscounted amount of the short-term employee benefits expected to be paid in exchange for that service.

#### 3.2.2 Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Employee benefits are provided for employees through the National Social Security Authority (NSSA) and the Bank operates a pension scheme on a defined contribution basis providing benefits based on contributions made plus profits that are declared by the scheme's trustees from time to time. The assets of the scheme are held separately from those of the Bank. The scheme is financed by Bank and employee contributions. The Bank's contributions to the scheme are charged to the statement of comprehensive income.

#### 3.2.3 Termination benefits

Termination benefits are employee benefits payable as a result of the Bank's decision to terminate employment before normal retirement date (or contractual date) or an employee's decision to accept voluntary redundancy in exchange for those benefits. The Bank recognises termination benefits when there is demonstrable commitment to termination of employment or to provision of termination benefits resulting from an offer that encourages voluntary redundancy. Demonstrable commitment arises when there is a detailed formal plan for termination, with no realistic possibility of withdrawal.

#### 3.3 Property and equipment

Land and buildings comprise a building held for administrative purposes. All motor vehicles, furniture, fittings and equipment used by the Bank are stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 40 years
- Leasehold improvements 5 years
- Furniture and fittings 10 years
- Motor vehicles 5 years
- Computer equipment 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

#### 3.3.1 Revaluation

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation 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.

The directors' assessment of the residual value and useful economic lives of land and buildings are not less than the revalued amounts of these assets. The effects of revaluation of land and buildings are credited to the revaluation reserve account through other comprehensive income and shown separately in the statement of changes in equity after adjustment for the related deferred tax. On revaluation, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the item concerned and the net amount restated to the revalued amount. Subsequent depreciation is based on the revalued amount.

#### 3.4 Intangible assets

Intangible assets comprise separately identifiable expenditure arising from computer software acquisitions. Software acquisitions are recognised and capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and subsequently amortised using the straight line method over their estimated useful economic life, generally not exceeding 3 years.

# UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.5 Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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. 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.

#### 3.6 Financial instruments

##### 3.6.1 Classification

All financial assets are classified into either "at fair value through profit or loss", "available-for-sale", "held to maturity" or "loans and receivables." At fair value through profit or loss financial instruments are those the Bank principally holds for short-term profit making purposes. Held to maturity financial instruments are those with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity.

Loans and receivables are created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking. Available-for-sale financial instruments are those assets that are designated as "available for sale" or that are not "at fair value through profit or loss", "loans and receivables" or "held to maturity" by the Bank.

Financial liabilities are either classified as "at fair value through profit or loss" or "other". At fair value through profit or loss financial liabilities are principally for the purposes of short-term profit taking.

##### 3.6.2 Recognition

Financial instruments that are at fair value through profit or loss and available for sale are recognised on the date the Bank commits to purchase the instrument.

From this date any gains and losses arising from changes in fair value of the trading instruments are recognised and charged to the statement of comprehensive income and gains and losses on available-for-sale instruments are recognised in equity.

When the financial instruments that are available-for-sale are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income. Held to maturity assets and loans and receivables are recognised on the day they are transferred to the Bank.

##### 3.6.3 Measurement

All financial instruments are measured initially at fair value, including transaction costs with the exception of financial instruments at fair value through profit or loss, which requires expensing of the transaction costs.

Subsequent to initial recognition all financial instruments designated as either at fair value through profit or loss or available for sale are measured at fair value. Any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment.

Loans and receivables and held-to-maturity assets are measured at amortised cost less impairment. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

##### 3.6.4 Impairment

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If such indication exists, the asset's recoverable amount is estimated. If in a subsequent period the amount of an impairment decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the statement of comprehensive income.

##### 3.6.4.1 Impairment provision

Provision for impairment on loans and advances is made as considered necessary having regard to both specific and general factors.

##### 3.6.4.2 Specific provision

Specific provision is made where the repayment of identified advances is in doubt and reflects estimates of the loss.

##### 3.6.4.3 Portfolio provision

The portfolio provision relates to the collective evaluation of impairment of loans and advances to customers.

##### 3.6.4.4 Regulatory provision

The Reserve Bank of Zimbabwe requires the Bank to provide regulatory provisions for impairments on loans. Where the regulatory provision is higher than the IAS 39, 'Financial Instrument: Recognition and Measurement' impairment, the excess is recognised as an appropriation of reserves.

Where a financial asset re-measured to fair value directly through equity becomes impaired, and a write down of the asset was previously recognised directly to equity, the write down is transferred to the statement of comprehensive income and recognised as part of the impairment.

Where an asset measured at fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in equity is reversed to the extent the asset is impaired. Any additional impairment is recognised in the statement of comprehensive income.

##### 3.6.4.5 Past due but not impaired loans

Loans and securities 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.

##### 3.7 Non-performing loans

Interest on loans and advances is accrued to income until reasonable doubt exists about its collectability. Thereafter, interest is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment. A loan is considered non-performing where interest has been suspended and where the customer has failed to repay interest and/or capital at agreed intervals.

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment.

#### 3.9 Fee and commission income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Services giving rise to this income provided by the Bank include cash management services, arrangement fees that have been included in the determination of effective interest rate and have been disclosed under interest income, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions. The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instruments.

#### 3.10 Net trading and dealing income

Net trading and dealing income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities and foreign currency dealing.

#### 3.11 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### 3.12 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

### 4 NET INTEREST INCOME

#### Interest income from:

	Unaudited 30 June 2014 US\$	Unaudited 30 June 2013 US\$
Loans and advances to corporates	3 859 951	4 999 671
Loans and advances to individuals	3 069 619	2 282 895
Placements with banks	471 944	486 031
Held to maturity investment securities	223 907	76 318
Staff loans	125 919	54 615
Cash and cash equivalents	92 711	32 411
	<b>7 844 051</b>	<b>7 931 941</b>

#### Interest expense on:

Deposits due to corporates	(2 054 679)	(1 420 285)
Deposits due from banks	(73 618)	(904 765)
Deposits due to individuals	(59 262)	(54 502)
	<b>(2 187 559)</b>	<b>(2 379 552)</b>

All income was recognised from the provision of services.

### 5 LOAN IMPAIRMENT CHARGE

#### Net loan impairment charge

- Portfolio provision charge	588 044	270 157
- Specific provision charge	293 657	225 773
	<b>881 701</b>	<b>495 930</b>
Bad debts recovered	(334 904)	(16 646)
	<b>546 797</b>	<b>479 284</b>

### 6 FEE AND COMMISSION INCOME

International banking fees	1 470 752	1 300 094
Cash withdrawal fees	812 823	729 601
Account maintenance fees	661 389	618 077
Other commissions	554 569	548 885
Agency commission	497 000	2 164 500
RTGS revenue	487 508	422 702
	<b>4 484 041</b>	<b>5 783 859</b>

### 7 TRADING AND DEALING INCOME

Trading and dealing income		
Exchange and dealing income	1 093 713	961 514
Advisory fees	-	181 500
Other treasury income	133 283	27 600
Other income	697 797	-
	1 924 793	1 170 614
Trading and dealing expense		
Currency revaluation losses	(15 687)	(64 994)
	<b>1 909 106</b>	<b>1 105 620</b>

### 8 EMPLOYEE COSTS

Payroll related cost	3 714 876	3 357 679
Long term benefits	642 439	501 537
Bonus	268 448	289 996
Other staff costs	155 278	148 966
Short term benefits	140 868	91 615
Staff training	139 390	168 156
Director fees and emoluments	90 245	98 807
	<b>5 151 544</b>	<b>4 656 756</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 9. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
Current balances with the Reserve Bank of Zimbabwe	19 719 731	26 425 008
Current, nostro accounts and cash	49 336 955	33 556 847
	<b>69 056 686</b>	<b>59 981 855</b>
Money at call and short notice	10 000 000	15 000 000
	<b>79 056 686</b>	<b>74 981 855</b>

Cash and cash equivalents comprises balances with less than three months maturity from the date of acquisition, including cash in hand, deposits held at call with other banks and other short term highly liquid investments with original maturities of three months or less.

### 10 LOANS AND ADVANCES TO CUSTOMERS

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
Term loans	74 641 161	56 431 717
Overdraft facilities	28 446 404	23 041 105
	<b>103 087 565</b>	<b>79 472 822</b>
Less: loan impairment provision	(2 702 356)	(1 889 202)
	<b>100 385 209</b>	<b>77 583 620</b>

#### 10.1 Analysis of gross loans and advances - 30 June 2014

	Overdraft facilities US\$	Term loans US\$	Total US\$
Corporates	27 991 703	54 141 551	82 133 254
Individuals	447 125	17 286 321	17 733 446
Staff	7 576	3 213 289	3 220 865
	<b>28 446 404</b>	<b>74 641 161</b>	<b>103 087 565</b>

#### 10.1 Analysis of gross loans and advances - 31 December 2013

	Overdraft facilities US\$	Term loans US\$	Total US\$
Corporates	22 328 994	36 022 140	58 351 134
Individuals	708 819	17 001 047	17 709 866
Staff	3 292	3 408 530	3 411 822
	<b>23 041 105</b>	<b>56 431 717</b>	<b>79 472 822</b>

#### 10.2 Impairment provision on loans and advances

	Specific Provisions US\$	Portfolio provisions US\$	Total US\$
Balance as at 01 January 2013	597 332	931 016	1 528 348
Gross impairment charge	623 821	150 868	774 689
Amount written off	(413 835)	-	(413 835)
Balance as at 01 January 2014	807 318	1 081 884	1 889 202
Gross impairment charge	293 657	588 044	881 701
Amount written off	(68 547)	-	(68 547)
Balance at 30 June 2014	<b>1 032 428</b>	<b>1 669 928</b>	<b>2 702 356</b>

#### 10.3 Exposure to credit - Gross loans

Individually impaired loans	2 727 322	2 170 689
Collectively impaired loans	97 980 390	74 862 321
Past due but not individually impaired loans	2 379 853	2 439 812
	<b>103 087 565</b>	<b>79 472 822</b>
Less: provisioning on:		
Individually impaired	(1 032 428)	(807 317)
Collectively impaired	(1 251 620)	(1 008 690)
Past due but not individually impaired loans	(418 308)	(73 195)
	<b>100 385 209</b>	<b>77 583 620</b>

#### 10.4 Maximum exposure to credit risk

Credit risk exposures are as follows:

	Maximum exposure 30 June 2014		31 Dec 2013	
	Gross Exposure US\$	Net exposure US\$	Gross exposure US\$	Net exposure US\$
Agriculture and horticulture	40 395 091	39 336 167	22 640 086	22 145 904
Consumer loans	20 730 760	20 187 320	20 957 766	20 459 565
Manufacturing	10 878 095	10 592 935	12 451 360	12 155 370
Food and beverages	8 844 250	8 612 405	4 739 823	4 627 149
Retail and wholesale	6 489 907	6 319 779	8 407 046	8 256 007
Mining	4 434 951	4 318 342	4 562 160	4 453 711
Other	3 520 431	3 428 146	487 977	423 011
Transport	2 589 525	2 521 642	1 380 577	1 347 759
Services	2 551 015	2 484 142	1 112 024	1 046 134
Tourism	1 668 390	1 624 655	2 270 402	2 216 430
Conglomerates	686 492	668 847	149 081	145 538
Construction	298 658	290 829	314 520	307 042
	<b>103 087 565</b>	<b>100 385 209</b>	<b>79 472 822</b>	<b>77 583 620</b>

### 11 HELD TO MATURITY INVESTMENT SECURITIES

	Unaudited 30 June 2014 US\$	Audited 31-Dec-2013 US\$
Opening value	4 532 165	5 045 951
Treasury bills purchase	8 000 000	1 000 000
Repayments received	(4 000 000)	(1 513 786)
Treasury bills issued	7 781 626	-
	<b>16 313 791</b>	<b>4 532 165</b>

The Government of Zimbabwe through the Reserve Bank of Zimbabwe issued government stock in February 2012 in respect of all balances previously held by the Reserve Bank as statutory reserves on behalf of banking institutions. During the six months to 30 June 2014, the Bank also purchased treasury bills amounting to US\$4 000 000, these earn an interest of 9% per annum and have a 90 days tenor. Treasury bills issued relate to FCA balances that were owing from the Reserve Bank of Zimbabwe. These carry a 2% yield and range between 3-5 years in tenor.

# UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2014



A member of the NEDBANK Group

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 12 PROPERTY AND EQUIPMENT

	Land	Buildings	Motor Vehicles	Computer equipment	Furniture & fittings	Leasehold improvements	Mainframe	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cost/valuation at 1 January 2014	160 000	703 286	521 529	1 265 632	769 864	701 907	849 352	4 971 570
Additions	78 000*	312 000*	-	197 850	22 792	-	-	610 642
Cost/valuation at 30 June 2014	238 000	1 015 286	521 529	1 463 482	792 656	701 907	849 352	5 582 212
Accumulated depreciation at 1 January 2014	-	63 285	416 227	660 233	276 661	156 823	454 215	2 027 444
Current year depreciation	-	11 080	10 864	97 131	25 477	51 921	98 123	294 596
Accumulated depreciation at 30 June 2014	-	74 365	427 091	757 364	302 138	208 744	552 338	2 322 040
Net book amount at 30 June 2014	238 000	940 921	94 438	706 118	490 518	493 163	297 014	3 260 172
Net book amount at 31 December 2013	160 000	640 000	105 302	605 399	493 203	575 673	613 868	3 193 445

\*These additions were transfers from a fellow group company, no cash consideration was paid out.

### 13 INTANGIBLE ASSETS

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
Cost or revaluation 1 January	1 421 156	1 328 220
Additions	-	92 936
Cost as at 31 December	1 421 156	1 421 156
Accumulated amortisation at 1 January	1 130 329	770 577
Current year amortisation	17 921	359 752
Accumulated amortisation at 30 June 2014	1 148 250	1 130 329
Net book value as at 31 December	272 906	290 827

### 14 OTHER ASSETS

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
Accrued interest on RBZ FCA Balances	5 446 331	5 835 088
Prepayments	1 278 301	386 652
Accrued Interest receivable	1 075 354	548 461
Intercompany debtors (MBCA Holdings Limited)	669 829	540 244
Sundry debtors	595 554	31 385
Intercompany debtors (Nedbank)	421 813	2 750 415
Security deposits-collateral accounts	326 543	205 170
Stationery inventory	97 927	108 711
Reserve Bank of Zimbabwe FCA Accounts*	-	5 905 172
Reserve Bank of Zimbabwe Afreximbank Commission*	-	1 876 454
	9 911 652	18 187 752

\*The Reserve Bank of Zimbabwe issued treasury bills in relation to these balances with tenors ranging from 3-5 years at an interest rate of 2% per annum. These have been classified under Held to maturity.

### 15 DEPOSITS FROM CUSTOMERS

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
15.1 Customer deposits		
Demand deposits	91 065 085	73 996 333
Term deposits	62 027 352	52 026 370
Savings deposits	7 085 653	5 279 111
	160 178 090	131 301 814

### 15.2 Maturity analysis

	Demand deposits US\$	Term deposits US\$	Savings deposits US\$	Total US\$
Corporates	78 270 343	27 414 684	2 954 826	108 639 853
Individual	8 477 570	4 271 729	4 075 739	16 825 038
Foreign bank	-	30 260 945	-	30 260 945
Other banking institutions	4 199 156	-	-	4 199 156
Staff	118 016	79 994	55 088	253 098
Balance as at 30 June 2014	91 065 085	62 027 352	7 085 653	160 178 090

	Demand deposits US\$	Term deposits US\$	Savings deposits US\$	Total US\$
Corporates	64 747 886	34 688 531	2 243 349	101 679 766
Individual	7 607 757	3 582 977	2 994 719	14 185 453
Foreign bank	-	13 687 765	-	13 687 765
Other banking institutions	1 430 959	-	-	1 430 959
Staff	209 731	67 097	41 043	317 871
Balance as at 31 December 2013	73 996 333	52 026 370	5 279 111	131 301 814

### 15.3 Sectoral analysis of deposits

	30 June 2014 US\$	%	31-Dec-2013 US\$	%
Banks	34 460 101	22	15 118 724	12
Agriculture, forestry and fishing	22 963 320	14	8 361 181	6
Manufacturing	21 001 393	13	10 852 548	8
Retailers	17 670 568	11	14 250 676	11
Mining and quarrying	17 033 779	11	21 513 489	16
Individuals	12 726 413	8	14 503 324	11
Finance services, insurance	11 385 650	7	31 545 160	23
Wholesale and trade	10 910 380	7	1 048 555	1
Other	6 894 325	4	10 075 425	8
Government and public sector	2 808 792	2	821 541	1
Transport	1 233 295	1	1 563 202	1
Building and property development	1 090 074	1	1 647 989	1
	160 178 090	100	131 301 814	100

### 16 OTHER LIABILITIES

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
Interest on accounts with Reserve Bank of Zimbabwe	8 523 744	8 935 182
Intercompany creditors-Nedbank	2 269 123	4 116 366
Deferred Income	2 099 841	892 486
Accrued expenses	1 554 286	1 109 505
Clearing accounts	1 102 352	768 635
Staff related provisions	511 310	568 427
Accrued Interest payable	457 500	247 625
Tax related liabilities	95 140	30 231
Sundry liabilities	51 998	10 804
	16 665 294	16 679 261

Other liabilities are expected to be settled within 12 months after the date of the statement of financial position.

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 17 FINANCIAL RISK MANAGEMENT

#### 17.1 Liquidity Gap Analysis

	Carrying Amount US\$	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$
30 June 2014					
Financial assets					
Cash and cash equivalents	79 056 686	79 056 686	-	-	-
Loans and advances to customers	100 385 209	44 007 985	15 739 202	19 186 341	21 451 681
Available for sale investment securities	561 937	-	179 215	-	382 722
Held to maturity investments securities	16 313 791	4 896 181	103 819	1 513 785	9 800 006
Other assets	9 911 652	1 093 682	-	870 959	7 947 011
	206 229 275	129 054 534	16 022 236	21 571 085	39 581 420
Financial Liabilities					
Demand deposits	91 065 085	91 065 085	-	-	-
Term deposits	62 027 352	30 774 477	12 719 138	18 533 737	-
Savings deposit	7 085 653	7 085 653	-	-	-
Other liabilities	16 665 294	1 930 922	-	95 139	14 639 233
	176 843 384	130 856 137	12 719 138	18 628 876	14 639 233
Liquidity gap	29 385 891	(1 801 603)	3 303 098	2 942 209	24 942 187
Cumulative gap		(1 801 603)	1 501 495	4 443 704	29 385 891

	Carrying Amount US\$	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$	Undeterminable US\$
31 December 2013						
Financial assets						
Cash and cash equivalents	74 981 855	74 981 855	-	-	-	-
Loans and advances to customers	77 583 620	32 173 614	25 844 564	2 148 627	17 416 815	-
Available for sale investment securities	452 241	185 000	-	-	267 241	-
Held to maturity investments securities	4 532 165	58 921	941 079	-	3 532 165	-
Other assets	18 187 752	865 462	116 698	391 105	3 197 774	13 616 713
	175 737 633	108 264 852	26 902 341	2 539 732	24 413 995	13 616 713
Financial Liabilities						
Demand deposits	73 996 333	64 823 446	-	-	-	9 172 887
Term deposits	52 026 370	36 688 441	13 828 965	821 199	-	687 765
Savings deposits	5 279 111	5 279 111	-	-	-	-
Other liabilities	16 679 261	2 344 512	69 132	127 595	5 202 840	8 935 182
	147 981 075	109 135 510	13 898 097	948 794	5 202 840	18 795 834
Liquidity gap	27 756 558	(870 658)	13 004 244	1 590 938	19 211 155	(5 179 121)
Cumulative gap		(870 658)	12 133 586	13 724 524	32 935 679	27 756 558

#### 17.2 Exposure to interest rate risk-non trading portfolio (continued)

	Carrying amount US\$	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$	Non Interest bearing US\$
30 June 2014						
Financial assets						
Cash and cash equivalents	79 056 686	24 384 168	10 000 000	-	-	44 672 518
Loans and advances to customers	100 385 209	44 007 985	15 739 202	19 186 341	21 451 681	-
Available for sale investment securities	561 937	-	179 215	-	-	382 722
Held to maturity investments securities	16 313 791	4 896 181	103 819	1 513 785	9 800 006	-
Other assets	9 911 652	1 075 354	-	-	3 569 877	5 266 421
	206 229 275	74 363 688	26 022 236	20 700 126	34 821 564	50 321 661
Financial Liabilities						
Demand deposits	91 065 085	-	-	-	-	91 065 085
Term deposits	62 027 352	30 774 477	12 719 138	18 533 737	-	-
Savings deposits	7 085 653	7 085 653	-	-	-	-
Other liabilities	16 665 294	457 500	-	-	8 392 283	7 815 511
	176 843 384	38 317 630	12 719 138	18 533 737	8 392 283	98 880 596
Interest rate repricing gap	29 385 891	36 046 058	13 303 098	2 166 389	26 429 281	(48 558 935)
Cumulative gap		36 046 058	49 349 156	51 515 545	77 944 826	29 385 891

	Carrying amount US\$	Less than 1 month US\$	1-3 months US\$	3 months to 1 year US\$	1-5 years US\$	Non Interest bearing US\$
31 December 2013						
Financial assets						
Cash and cash equivalents	74 981 855	15 000 000	-	-	-	59 981 855
Loans and advances to customers	77 583 620	32 173 614	25 844 564	2 148 627	17 416 815	-
Available for sale investment securities	452 241	-	-	-	-	452 241
Held to maturity investments securities	4 532 165	-	1 000 000	1 513 785	2 018 380	-
Other assets	18 187 752	-	-	-	-	18 187 752
	175 737 633	47 173 614	26 844 564	3 662 412	19 435 195	78 621 848
Financial Liabilities						
Term deposits	52 026 370	36 688 441	13 828 965	821 199	-	687 765
Savings deposits	5 279 111	5 279 111	-	-	-	-
Demand deposits	73 996 333	-	-	-	-	73 996 333
Other liabilities	16 679 261	-	-	-	-	16 679 261
	147 981 075	41 967 552	13 828 965	821 199	-	91 363 359
Interest rate repricing gap	27 756 558	5 206 062	13 015 599	2 841 213	19 435 195	(12 741 511)
Cumulative gap		5 206 062	18 221 661	21 062 874	40 498 069	27 756 558

### 18 CONTINGENT LIABILITIES

	Unaudited 30 June 2014 US\$	Audited 31 Dec 2013 US\$
18.1 Guarantees		
Letters of credit	1 593 519	-
Guarantees to third parties	1 607 006	2 861 675
Individual staff housing through CABS*	1 664 317	1 664 317
	4 864 842	4 525 992

\*The Bank issued guarantees to managerial and non managerial staff members who purchased properties through CABS. The Bank's guarantee is 30% of the total amount.

No guarantees were called up in the current year.

## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014 (continued)

### 19 RATE OF EXCHANGE